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THE JOURNAL OF
THE INSTITUTE OF CHARTERED ACCOUNTANTS
IN ENGLAND AND WALES

JUNE 1959

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Incorporated by Royal Charter May 11, 1880

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Accountancy

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Professional Notes

The New President and Vice-President

THIS MONTH Mr. W. L. Barrows, LL.D., J.P., F.C.A., came to the end of his year of office as President of the Institute. The burdens of the post grow ever heavier, but Mr. Barrows has borne them lightly; despite travelling and public speaking up and down the country on behalf of the Institute, attending and presiding at innumerable committees and other meetings, policy-making at the highest level, he has kept the same youthful zest and appearance with which he started his Presidential year. We believe early Saturday mornings in Warwickshire fields with a gun may have helped!

As recorded on pages 339–343 of this issue, Mr. C. U. Peat, M.C., M.A., F.C.A., who was Vice-President for the year 1958/59, has been elected President of the Institute for the ensuing year and Mr. Sidney John Pears, F.C.A.,

has been elected Vice-President. We have pleasure in congratulating them both.

Mr. C. U. Peat is a partner in Peat, Marwick, Mitchell & Co. He was born in 1892 and was educated at Sedburgh School, where he was a member of the XV, the XI and the Shooting Eight, and at Trinity College, Oxford, where he obtained a law degree and a cricket Blue. He later played cricket for Middlesex County.

In the first world war Mr. Peat served in the City of London Yeomanry and was awarded the Military Cross; in the second world war he was invalided out of the 6th Battalion Durham Light Infantry in 1940.

From 1941 to 1945 he was Conservative Member of Parliament for Darlington and during the period 1940 to 1945 acted as Parliamentary Private Secretary to the President of the Board of Trade, Joint Parliamentary



*Mr. Charles Urie Peat, M.C., M.A., F.C.A.
President of the Institute*

Secretary of the Ministry of Supply and Parliamentary Secretary of the Ministry of National Insurance. He served on a Departmental Committee on Fixed Trusts and is now on the Board of the Newton Aycliffe Development Corporation.

Mr. Peat was elected to the Council of the Institute in 1944. He has his home in Yorkshire and business responsibilities on the north-east coast, but spends most of his business life in London. His hobbies are fishing and sylviculture.

* * *

The new Vice-President, Mr. S. J. Pears, F.C.A., is the senior partner in Cooper Brothers & Co. Born in 1900, he is the son of Sidney Pears, who had joined the firm in 1881, was

senior partner from 1923 to 1932 and served as a member of the Council of the Institute.

Mr. S. J. Pears was educated at Rugby, where he played for the XV. He served his articles with Cooper Brothers & Co., becoming a member of the Institute in 1924 and a partner of the firm in 1926. Since 1946 he has served as a member of the Council of the Institute.

During the war Mr. Pears was first Director of Contracts at the Ministry of Supply and later Principal Controller of Costs. He is at present a member of the Board of Referees and also Accountant Adviser to the United Kingdom Atomic Energy Authority. Since the war he has held numerous appointments on Committees and other bodies set up by various government Departments.

Fellowship of the Institute

AT A SPECIAL meeting of the Institute of Chartered Accountants in England and Wales held on June 2, with the President, Mr. W. L. Barrows, LL.D., J.P., F.C.A., in the chair, a resolution was passed for the variation of the supplemental Royal Charter and certain of the bye-laws to give effect to changes in the conditions under which members become fellows of the Institute.

We give on pages 336-9 of this issue the full report of the proceedings at the special meeting.

The general effect of the resolution passed at the meeting is as follows:

- (a) every associate will become a fellow without application on the first day of January next following the completion by him of ten years of membership of the Institute, membership of the Society of Incorporated Accountants counting for this purpose as membership of the Institute;
 - (b) an associate in practice will remain entitled as at present to apply for fellowship under conditions similar to those which now obtain, namely after the completion of five years continuously in practice, except that practice must be the member's main occupation; an eligible associate who does not so apply will in due course become a fellow as indicated in (a);
 - (c) the fellowship election fee will be abolished;
 - (d) there will be consequential reductions in the scale of subscriptions payable by fellows;
 - (e) the letters F.S.A.A. will be used by each incorporated accountant member without application on the first day of January next following the completion by him of ten years of membership of the Institute, membership of the Society of Incorporated Accountants counting for this purpose as membership of the Institute. The present rights under the scheme of integration to the earlier use by members of those letters will be preserved.
- An amendment, which would have had the effect that a member would become a fellow or use the letters F.S.A.A. after ten years' membership (as under (a) and (e) above) only if he chose to do so and made application, was rejected by 115 votes to 9, and the substantive resolution was passed by 111 votes to 22.

As previously intimated, the Council of the Institute considers that the only satisfactory way to decide this matter is to give all members an opportunity to vote on it. At the special meeting, therefore, the President called for a postal poll on the resolution. Voting papers have been despatched to all members entitled to vote and should be returned not later than July 7. To become effective the resolution must be passed by a majority of not less than two-thirds of the members who vote on it and must later be confirmed by a simple majority of members voting thereon at a further meeting.

Solicitors' Books and Accounts—

THE REQUIREMENTS ON solicitors' books and accounts have been revised. A new Rule comes into force on July 1, 1959 (as Rule 10 of the Solicitors' Accounts Rules, 1945). It reads as follows:

10.—(1) Every solicitor shall at all times keep properly written up such books and accounts as may be necessary—

(a) to show all his dealings with—

(i) client's money held, received or paid by him, and

(ii) any other money dealt with by him through a client account, and

(b) to distinguish such money held, received or paid by him on account of each separate client and to distinguish such money from other money held, received or paid by him on any other account.

(2) (a) All dealings referred to in paragraph (1) (a) of this Rule shall be recorded in—

(i) a clients' cash book, or a clients'

column on the credit side or debit side (as may be appropriate) of a cash book, and

(ii) a clients' ledger, or a clients' column on the credit side or debit side (as may be appropriate) of a ledger,

and no other dealings shall be recorded in such clients' cash book and ledger, or, as the case may be, in such clients' columns, and

(b) all dealings of the solicitor relating to his practice as a solicitor other than those referred to in paragraph (1) (a) of this Rule shall (subject to compliance with the Solicitors' Trust Accounts Rules) be recorded (as may be appropriate) in such (if any) other cash book and ledger or such (if any) other columns of a cash book and ledger as the solicitor may choose to maintain.

(3) In addition to the books and accounts referred to in paragraph (2) of this Rule, every solicitor shall keep a record of all bills of costs (distinguishing between profit costs and disbursements) and of all written intimations under Rule 7 (a) (iv) of these Rules delivered by the solicitor to his clients, which record shall be contained in a bills delivered book or a file of copies of such bills and intimations.

(4) In this Rule each of the expressions

"book," "ledger" and "record" shall be deemed to include a loose-leaf book and such cards or other permanent documents as are necessary for the operation of a mechanical system of book-keeping.

(5) Every solicitor shall preserve for at least six years from the date of the last entry therein all books, accounts and records kept by him under this Rule.

The Council of the Law Society states that the new Rule is designed to make it clear that only two cash books are normally required, and that trustee transactions are excluded. The term "record" relating to costs charged is re-defined to include not only bills of costs but also written intimations.

The Council of the Law Society goes on to say:

The Rule aims at ensuring that the solicitor has the widest possible choice in deciding the most suitable books and records he shall keep to record his transactions on "office account," but no attempt has been made to define "office account." The Rule requires that, having made his choice of records, the solicitor shall, at all times, keep such books written up to date. It is emphasised that the Rules



Mr. Sidney John Pears, F.C.A.
Vice-President of the Institute

THE PRINTING DISPUTE

The dispute in the printing industry has caused difficulties in the production of ACCOUNTANCY this month and has forced a slight cut in the size of the issue.

As we go to press, it is not certain whether or not there will be a stoppage of work. If there is a short-lived stoppage our July issue will be delayed. If a longer stoppage occurs we shall be forced to suspend publication of the July issue and of any other issues for the duration.

10 (1) (b) and 10 (2) (b) must be construed together when considering the liability of a solicitor to keep "office accounts."

Finally, the Council of the Law Society points out that the Rule does not purport to deal with trivial disbursements such as postage stamps and the like which a solicitor makes out of his own pocket and does not normally charge against his own client. The Council does not intend to apply the Rule to trivial disbursements of this kind.

—and Accountants' Certificates

SOLICITORS HAVE BEEN required since 1946 to deliver annually to the Law Society an accountant's certificate. Under the Accountant's Certificate Rules, 1954, the accounting period specified in the certificate must have ended not more than six months before its delivery. For failure to comply with the Rules complaint may be made to the Disciplinary Committee of the Law Society.

Any solicitor who has not delivered his certificate on time has received a reminder from the Law Society, informing him that he should take immediate steps to deliver the certificate and asking why he has not done so. If the certificate has not been delivered within fourteen days of the reminder, or a satisfactory explanation for non-delivery has not been given, then a further reminder has been sent to the solicitor informing him that the certificate has not been received, asking for an explanation and adding a warning that if the certificate has not been received within seven days or a satisfactory explanation given for its non-delivery, disciplinary proceedings might be taken without further notice.

The Law Society has found it necessary to send out a large number of reminders annually—for example, in 1957/58, 1,450 first reminders and 110 second reminders. The Council of the Society considers that every solicitor liable to deliver an accountant's certificate should now be thoroughly familiar with his statutory obligations to do so and that delays in its delivery ought no longer to be regarded as reasonable.

Accordingly, as from November

16, 1959, the Council will send out only one reminder to a solicitor who is late with his accountant's certificate. This reminder will tell the solicitor the date on which the certificate was due, will state that it has not been received and will warn that, unless it is received within seven days or a sufficient and satisfactory written explanation is given to the Society for its non-delivery, disciplinary proceedings will be instituted against the solicitor without further notice.

The Council of the Law Society emphasises that the responsibility for the delivery of an accountant's certificate lies with the solicitor and not with his accountant.

Some years ago the Council of the Law Society pointed out that there was no reason, as far as the Accountant's Certificate Rules were concerned, why an accountant should delay giving his certificate pending a complete examination of the solicitor's books for other purposes.

A Warning on Building Societies

IN HIS LAST report on building societies, the Chief Registrar of Friendly Societies gives a warning:

I view with some concern the apparently widespread misapprehension that building societies by law are required to lend their funds on the security of property which is owner-occupied. No doubt this misapprehension has arisen because it has been the general practice of societies throughout their long history to lend most of their funds on the security of this type of property. The Building Societies Acts, however, merely provide that advances shall be made upon the security of freehold or leasehold estate without further definition. This means that a building society can lend on the security of, for example, shops, hotels, cinemas, farms and other commercial property and during the course of my investigations in cases where I have taken proceedings under Section 11 of the Prevention of Fraud (Investments) Acts, 1939 and 1958, I have found many instances where advances have by no means been confined to owner-occupied residential property.

Although funds lent on the security of such commercial property as I have mentioned may at the present time be said to be adequately secured there is a speculative element in much of this property and often there is no reliable covenant given by an individual or evidence of the borrower's ability to repay the mortgage. Societies which

conduct their business largely on these lines invariably offer higher rates of interest to investors and for commercial reasons are able under existing financial conditions to obtain a high rate of interest on the loans they make.

If the investing public wish to be sure that their money is being lent on the security of owner-occupied property they are advised to enquire as to the mortgage policy of the society and in any event to be content to receive the normal rate of interest on their investment and not be attracted by extravagant offers.

We would add that it would be even better if, instead of enquiring about the mortgage policy of a society, and possibly receiving a general and far from precise answer, the investing public (and those who in person or in the Press advise that public) could see plainly set out in the accounts of every society the division of mortgage advances under the heads of owner-occupied dwellings, investment concerns, industrial enterprises and estate developers—as advocated in ACCOUNTANCY for March, 1959 (page 141). The law does not now require such information to be given in the accounts.

The Registrar's report is for 1958 (Part 5), obtainable from H.M. Stationery Office at 3s. net.

More Bankruptcies in 1958

LAST YEAR the number of receiving and administration orders rose to the highest figure since the immediate pre-war period. There were 2,250 of them, compared with 2,061 in 1957. On the other hand, deeds of arrangement, which since before the war had been much reduced in numbers, declined still further in 1958, to 276, against 313 the previous year.

The groups of businesses in which most failures occurred were builders, farmers, retail grocers, retailers of hardware and electrical goods, clothing and drapery shops, and hotel keepers and publicans. There were unfortunately eleven bankruptcies of accountants.

Of 487 applications for discharge considered in the year, 290 were granted subject to various periods of suspension (213 with a period of one month and over but under one year). Seventy were granted with conditions and 66 with conditions and



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suspension. Only 28 were refused outright.

The figures, together with other details, are given in the *Report of the Board of Trade on Bankruptcy for the Year 1958* (H.M. Stationery Office, 1s. 9d. net).

Education for C.A. Apprentices in Scotland

FAR-REACHING CHANGES in the educational set-up for apprentices are planned by the Institute of Chartered Accountants of Scotland. After much work and discussion within the Institute, and prolonged consultation with the universities, the main steps proposed are:

- (1) the re-arrangement of the examinations so that each year the five-year apprentice would normally take one part of a single Institute examination;
- (2) a requirement that during the third year of his apprenticeship the apprentice should spend an academic year (about nine months) in whole-time attendance at a university taking classes in Law, Accounting and Business Method, and in Economics; and
- (3) important alterations in the scope of the university classes so that not only would they include tutorials, but would also be of comparable length and standard at all four Scottish universities.

At a special general meeting of the Scottish Institute held last month a resolution was passed by 221 votes to 97 to alter the rules of the Institute so as to allow the changes to be brought into effect. A postal poll was then directed by the President, Mr. Thomas Lister, M.A., C.A., who was in the chair. Thus every member of the Institute will have the opportunity of voting. The adjourned special general meeting at which the result of the poll will be declared is to be held on June 23.

Popularising the Investment Trust

LAST MONTH MARKED a new development in the battle to secure the savings of the small investor when the *Ashdown Investment Trust* announced an issue of shares on lines designed to combine the advantages of the investment trust with those of the unit trust. The Ashdown, which

is about to come of age, proposes to offer two-and-a-half million shares at a price around 17s. 0d. A further issue is projected towards the end of the year.

The price is determined on a new formula. Stamp duty is added to the market value of the underlying securities at the time of issue and all liabilities and prior charge capital are deducted. The resulting sum is then divided by the number of shares in issue. The nominal value of the shares is 5s. and the yield on the new rate of dividend of 13 per cent. is some 3.9 per cent. gross, which is not unattractive in comparison with some leading unit trust yields. This appears to be the first time that an established investment trust has offered capital in such small units and, therefore, on terms enabling the investor of really small means to participate. The novelty of the Ashdown move is not so much the low denomination of the shares—for other investment trusts, though not enough, have split their equities into smaller units—but the fact that the capital is being offered on the market and that further block offers can be made in future, in the style of the unit trusts.

An investment trust shares with the unit trust the advantage of a wide spread of risks, but it has—at least in times of rising share values—two investment advantages which the unit trust has not: managements retain a proportion of profits for reinvestment, and most investment trusts have debentures or Preference capital or both which work for a fixed sum of money, so increasing the gain to the equity-holders when economic conditions are favourable, and providing a hedge in inflation. There is also the point that for tax purposes investment trusts set management expenses against untaxed income, but they have to be paid by unit trusts out of taxed income.

Compared with the price of the old shares before the announcement the new shares look dear. But the directors have decided to raise the dividend from 12 to 13 per cent. and they intend in future to distribute on average 90 per cent. of earnings as against the past practice of retaining

20 per cent., so that without any watering down of the equity of the old holders the shares should be more attractive to those paying moderate rates of tax, though less attractive to the heavy surtax payer. If the new departure meets with success, one would expect some other investment trusts to emulate it.

Cost of State Pensions

UNDER THE PRESENT National Insurance scheme the cost of State pensions will be 5 per cent. of present total earnings by 1961, 7½ per cent. by 1981, and 7½ per cent. ultimately. Under the Government proposals, the corresponding percentages, for flat-rate and graduated pensions combined, will be 5 per cent., 8 per cent. and 9½ per cent., and under the Labour Party proposals 6 per cent., 10 per cent. and 15 per cent. These estimates are given by the Institute of Actuaries and the Faculty of Actuaries in Scotland, in a booklet published last month, *National Pensions—An Appeal to Statesmanship*.

The actuaries expect their estimates to remain valid whatever the rise in national income, because pensions are likely to increase with earnings.

It is urged that with the consent of the political parties an authoritative and independent National Pensions Council should be set up to examine the pensions problem. Ultimate decisions must rest with Parliament, but there should first be thorough and quiet examination by such a body, which would have the responsibility of making recommendations.

The Jackson Trial—

IN OUR LAST issue (page 243), we gave a report of the earlier stages of the trial of Leonard Percival Jackson on nine charges, including conspiracy to defraud, forgery and concurring in the publication of a false document. At the material times Jackson had been chairman of Hide & Company and its subsidiary, Great Northern and Southern Stores.

The trial, at the Old Bailey before Judge Aarvold, resulted in Jackson being found guilty on all charges and his being sentenced to thirty months' imprisonment. The Judge said that

as chairman of a public company Jackson had been making, or trying to make, a private profit out of deals to which he had been committing his companies and had been dishonestly concealing the matter from the auditors and shareholders. The tragedy was that, had Jackson told the Board and shareholders of the deals he had done for them and the money brought in for the companies, there was no doubt he would have been rewarded handsomely. Unfortunately, he took the wrong course.

Stanley John Hemmings, a chartered accountant, and Donald Norris Morpew were found guilty on charges of conspiracy to defraud and forging a document, and were each fined £250. To them the Judge said: "You are men of hitherto high character, and both have struggled through times of hardship to times of prosperity and high standing. It is tragic to find you in the dock convicted of offences involving dishonesty. It is quite clear you were both corrupted by the quick mind and quick talking of Jackson. Unfortunately, when the test came, you were unable to withstand the temptation and you loaned yourselves to a scheme you both knew very well was dishonest."

All three men are appealing.

—And the Canine Analogy

JUDGE AARVOLD SAID that in the course of the trial of Jackson and the others certain unpleasant suggestions had been made about the conduct of Mr. Ogden, senior partner in a firm of chartered accountants who were auditors to Hide and Great Northern. But Mr. Ogden, who had started the inquiries which resulted in the prosecution, had only carried out his duty as an auditor, and the suggestions made in the case were completely unfounded. It was entirely to the credit of Mr. Ogden, and to the credit of his profession, that he did not allow himself to be fobbed off with misleading explanations, and his conduct throughout, as a man, as a business friend and as an accountant, was at all times kindly and firm, and deserving of credit and high praise.

During the case Counsel defending Jackson had asked a witness "Auditors have been called sometimes the watchdogs of their companies?" and "Have you on occasions felt that watchdogs should be kept in kennels most of the time and not in the drawing-room?", and to both questions the witness, a solicitor, had replied "Yes."

As we said in January, 1958 (page 2), when Lord Simonds in another case invoked the auditorial proverb that the auditor was a watchdog, not a bloodhound, and went on to say that his duty was not detection but verification, "gagging the dog and locking him in his kennel at the bottom of the garden is not the best way to let him keep watch." Proof is once again given by the outcome of the Jackson trial.

Reform of Law of Charities

AS WE ANTICIPATED in our last issue (page 238-9), the Lord Chancellor said in the House of Lords last month (on May 13) that in the next Parliamentary session there would probably be legislation on charitable trusts.

An important part of the legislation will be for the easement of the investment restrictions of the Trustee Act of 1925, and this part will apply to non-charitable trusts also. We discuss the implications in our Editorial on page 307.

It seems that the Bill will provide for a central registry for the recording of charities, but not for registration by local authorities as recommended by the Nathan Committee in 1952 and urged by Lord Nathan in the Lords debate.

The *cy-près* doctrine is to be relaxed, probably along the lines of the White Paper of 1955 (see ACCOUNTANCY for September, 1955, page 331) which did not go quite so far as the Nathan Committee. Upon these terms it would be possible to amend the objects of a charity if:

(a) with changing circumstances the class of beneficiary has dwindled or cannot be identified, or

(b) the purposes are obsolete or insignificant compared with the endowment, or

(c) the endowment is no longer of real use to the beneficiary, or

(d) the geographical area of the benefit needs definition, or

(e) there can be a satisfactory amalgamation with some other endowment.

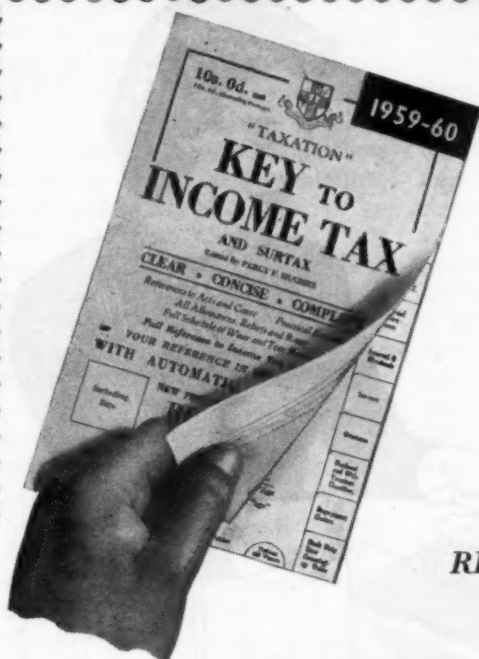
Generally the result would be to give the Minister of Education and the Charity Commissioners the same powers as the courts now have.

In the debate Lord Nathan had strongly urged that the doctrine should be reformulated; it now permitted the Minister or the Commissioners to approve a revised scheme only when the original objects of the charity were wholly impossible of fulfilment but a very close relationship to them was borne by the new objects. Lord Nathan gave as an example of the pressing need for reconstruction the large number of charitable trusts for the benefit of domestic servants, who are a fast disappearing class, and the absence of trusts for the benefit of delinquent and emotionally disturbed children.

The Government clearly considers that the Charity Commissioners should be primarily concerned with dealing with proposals put forward by trustees, upon whom should firmly lie the responsibility of taking the initiative and also of keeping their charity in due conformity with changing conditions. The Nathan Committee envisaged a larger body of Commissioners which would have the more positive task of advising and persuading trustees to make what was considered the best possible use of their funds.

Office Efficiency

"WORK STUDY IN THE OFFICE" was the subject of an address given recently to members of the London and District Society of Chartered Accountants. The speaker, Mr. R. Norbury, Senior Lecturer at the Work Study School, Cranfield, distinguished two aspects of work study: (i) work measurement, or time study, which assesses human effectiveness with the object of improving control of production costs; and (ii)



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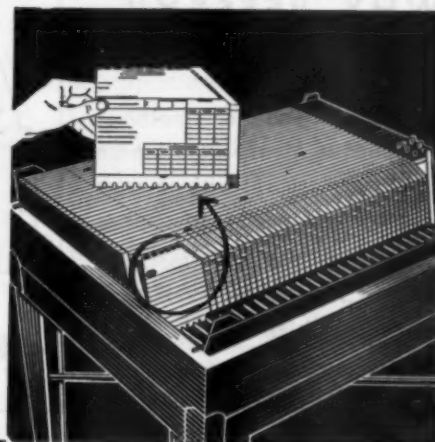
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method study, which seeks to improve methods of work.

Work study has been widely applied in the factory for many years, and Mr. Norbury justified its use in the office by an analysis of office costs, which contain the same three elements as factory costs—materials, labour, and overheads.

The techniques of method study comprise the systematic recording, analysis and critical examination of existing and proposed procedures with the objective of developing better ones. A process chart is drawn in which every step in an office procedure is represented in chronological order, by a separate symbol. Five symbols are used: a circle, for a productive operation, e.g. sorting, writing, or calculating; a square, for inspection or checking; an arrow, for transport or movement, e.g. a form sent from one department to another; a triangle, for storage or filing; a D for delay.

These charts, with brief notes to explain the significance of each symbol, were stated to be preferable to written procedure records, which are difficult to write, and more difficult to read and summarise. The technique was illustrated by a chart several yards long which recorded 95 operations, 13 inspections, 27 movements, 16 storages and 10 delays in a sales order procedure. After method study, the number of steps was drastically reduced.

A method study investigation is made in four stages. First, the process chart is drawn. Second, its accuracy is independently checked. Third, the essential operations are established. Fourth, every part of the procedure is questioned with a view to the possibility of:

- (a) eliminating the task altogether,
- (b) improving the sequence in which the work is done,
- (c) combining activities,
- (d) simplifying the method.

A complete investigation was illustrated by a short film showing how improvements were made in the production of a sales notification prepared for six managers. After the method had been studied in great detail and three progressively better methods had been installed, the

purpose of the sales notification was challenged, and it was found that it was not required at all.

This example appeared to reveal the weakness of the arbitrary application of conventional work study techniques in the office. The organisation and methods approach which regards the verification of purpose and the elimination of unnecessary procedures as the first rather than the last stage of an investigation is likely to be of greater value to the accountant who is seeking greater office efficiency. The lengthy techniques of method study should be applied only after their usefulness in an investigation has been established.

Control of Capital Expenditure

A SOUND POLICY on capital expenditure has two parts: firstly, accurate financial and economic analysis of all the relevant factors before deciding upon any particular investment, and secondly, effective management procedures for supervising the expenditure. In a paper on *Control on Capital Expenditure* given at the Scottish Regional Cost Conference of the Institute of Cost and Works Accountants, Mr. W. Coultis Donald, C.A., F.C.W.A., concentrates mainly on the second of these two aspects. This is to be particularly welcomed. Although this whole subject is a neglected field in accountancy, there is a growing body of economic literature on the analysis which should precede a decision; but there is a great deal more ground to be explored in and around the managerial context in which decisions should be made. Mr. Donald points out that the techniques for control of capital expenditure have been very much neglected in comparison with those for controlling operating costs. He goes on to consider the necessity for proper control of capital expenditure, the purposes and uses of financial standards in this connection, the need for an economic justification, the classification of capital expenditures, the control of large projects by means of technical reports before the decision to invest has been made and afterwards by means of the tech-

nique of the "master programme", the control of normal capital and development expenditures and some financial aspects of capital spending. Mr. Donald concludes that the problem "covers a very wide field and it is one in which the accountant has still to do a lot of research." This plea for further investigation on the subject is timely and deserves practical support.

If one might venture to make a few critical comments on the paper, they would be as follows. In the first part perhaps too much emphasis is placed upon the usefulness of ratio analysis of the balance sheet and profit and loss account figures in controlling capital expenditure. The decision to invest must necessarily depend upon expectations—such as expected cost reductions and/or expected increases in revenue—and since the financial accounts are essentially historical in nature they can be of only indirect and limited use in this respect, especially in relation to projects of a new kind. Also, the financial accounts can be of little use for an *ex post* examination of how effective individual projects have in fact been, since they deal with an enterprise as a whole and generally do not reveal the separate costs relevant to an individual investment project in terms of the appropriate cost concepts. For both purposes special costing investigations would seem to be much more helpful. In this respect perhaps more discussion should have been devoted to the "period of recovery" (or "pay-back") method of assessing the profitability of capital projects and mention also made of the "rate of return" method. Mr. Donald gives the impression that the process in general can be reduced to calculation in money terms, but it would seem that a decision to invest must necessarily depend to an appreciable degree on business experience and judgment expressed in qualitative rather than quantitative terms. But Mr. Donald rightly points out the part which approximate cost and revenue figures can and should play in the process. Clearly, if monetary calculations are made of the measurable effects, the field in which business judgment can go astray is

made smaller and the whole process is thereby made more efficient.

One further aspect of the whole problem which might profitably have been discussed is that of the post-completion audit (in the wider sense of the management efficiency audit and not merely in the sense understood by the professional auditor) in order to evaluate the results achieved by capital projects as a means of making the control technique more efficient in the future, by discovering errors, allocating responsibility for them, and seeing that they are not repeated. The subsidiary purpose of training young managers in the arts of capital budgeting could also be pursued by means of employment on such audits.

Millers' Camel Retreats from Needle's Eye

THE CASE OF *The Five Millers' Agreements* (see our January issue, page 5) was recently before the Restrictive Practices Court. The outcome demonstrated how tightly drawn have been the decisions of the Court on previous cases.

Counsel for the respondents stated that until quite recently the industry had proposed to defend the restrictions before the Court, but it now saw that it had no sufficient prospect of satisfying the strict requirements of the Restrictive Trade Practices Act, 1956. It was a question of "a camel being asked to go through the eye of a needle." Accordingly, the respondents would submit to Orders that the restrictions in the recommendations of the trade association should be declared contrary to the public interest.

The restrictions fell into three classes: recommendations (made weekly) on the selling price of flour, others on the terms of trade, and still others on discounts. There was also a scheme by which big buyers of home-milled flour who bought from members of the association obtained deferred rebates; the scheme was a complicated one, and the rebates were decided by accountants.

Six companies, members of the trade association, had refused to be represented and were not before the

Court. The Court held that the Registrar of Restrictive Practices was entitled to have the Orders bind the six companies.

Shorter Notes

Annual Church Service of the Institute

A special service for members of the Institute of Chartered Accountants in England and Wales will be held at St. Margaret's Church, Lothbury, London, E.C.2, at 1 p.m., on Wednesday, July 1. The members of the Council of the Institute will be present, and the President hopes that as many members of the Institute as possible will also attend.

Cancellation of Autumn Meeting

As announced in the statement of the Council of the Institute on page 343 of this issue, with regret it has been decided to cancel the Autumn Meeting which, by invitation of the Manchester Society, was to have been held in Blackpool in October. The reason for the cancellation is that the meeting had attracted insufficient support from members, and the Council is to examine the whole question of the holding of such meetings, in the light of present-day conditions. It hopes to decide upon the type of meetings and the venue most likely to prove attractive and useful to members, particularly the younger ones.

Adviser on Cotton Scheme

Mr. A. G. B. Burney, O.B.E., B.A., F.C.A., a partner in Binder, Hamlyn & Co., Chartered Accountants, has been assigned to the Board of Trade to advise on the scheme for reorganising the cotton industry. If the Cotton Industry Bill is passed, Mr. Burney is to be invited to be a chief executive, acting as general manager, to the committee carrying out the reorganisation under the Cotton Board.

Accountants' Day in Copenhagen

At the Accountants' Day in Copenhagen on May 14, held to celebrate the fiftieth anniversary of the first Danish Act relating to Certified Public Accountants of May 14, 1909, the guests included the President of the Institute

of Chartered Accountants in England and Wales, Mr. W. L. Barrows, and Mrs. Barrows; the Vice-President of the Institute of Chartered Accountants of Scotland, Mr. A. McKellar; and the President of the Association of Certified and Corporate Accountants, Mr. W. Jackson, and Mrs. Jackson. At the banquet Mr. W. L. Barrows expressed thanks on behalf of the guests from the United Kingdom, Holland, and Germany.

American Accountants' Earnings

A typical accountancy partnership in the United States having less than five on the staff will produce net earnings of approximately \$27,000 (£9,600) a year on gross fees of \$50,000 (£18,000). An individual practitioner with a staff of comparable size will earn on average about \$10,500 (£3,700) on fees of about half those of the partnership. These figures, based on a study of more than one thousand accounting practices, are given in a bulletin of the American Institute of Certified Public Accountants put on sale, to its members only, last month.

"Cupids"

The outstanding feature of the latest unit trust, run by a new management company called *Community Units (Participating in Industrial Development) Ltd.*—CUPID—is that its units are being offered at the lowest price of any existing unit trust. The public were invited to subscribe this month for 20 million "Cupids," or community units, at 2s. 6d. per unit. The minimum initial purchase was for 40 units but subsequent purchases can be in blocks of 10 units. It is intended to invest mainly in well-known equities. The managing director is Mr. Frank Bennett, F.C.A.

Computer on Celluloid

A film drama with an electronic computer as the hero, but a hero who hardly puts in an appearance, has been produced by *International Computers and Tabulators Ltd. (I.T.C.)*. A company is thinking of installing a computer and we are shown the story of the reactions and prejudices of its various executives. The main theme is that everything depends upon the work of the "feasibility team" set up by the company itself. There are only side glances at computers, their production, and the research done on them. The film, in sound and colour, is called *Time to Think*. It runs for forty minutes and can be obtained on free loan from I.T.C.

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EDITORIAL

The Trustee List

IMBEDDED in a weighty discourse on the law of charities, delivered by the Lord Chancellor in the House of Lords last month, was an important announcement on an issue that had only indirect connection with the subject of the debate, charitable trusts. The announcement was so wrapped around in *cy-près*, *bona vacantia* and the other doctrines and perplexities besetting anything coming within that famous preamble to a statute of the first Queen Elizabeth in which is embalmed the delimitation of a charity, that the wider significance of the Lord Chancellor's words seems not to have captured notice. But when he told the Lords that the Government was to relax the investment restrictions on non-charitable trusts, as now rigidly laid down in the Trustee Act of 1925, Lord Kilmuir was indeed making an announcement, to use his own words, "of great importance affecting the private fortunes of many individuals and organisations."

The decision of the Government that the Trustee List of the Act of 1925 is obsolete and that trustees—many of whom lack a more liberal trust instrument—will be freed of its shackles by legislation might not have been made known in the middle of a debate on charities if it were not that the list applies to charitable trusts equally with non-charitable ones. But there may have been a further reason for the shyness with which the decision was announced: it amounted to a complete reversal of Government policy. Just under four years ago the Government refused to admit that the Trustee List was an undesirable restraint on trustees of non-charitable funds. Although there had for long been agitation for extending the list or for bestowing upon trustees in some other way a wider scope for investment, the Government stood as an immovable object in the path of reform. But against the "immovable" object a really irresistible force has been pressing—the force of rising equity values, greatly strengthened by the sagging of trustee stocks.

In 1955, the Government argued that equities should not be included in the Trustee List because they might depreciate as well as appreciate, and seriously put forward the far-fetched idea that including them in the list might be taken by the public as conveying an official guarantee of their suitability for investment. Another Government argument was that the list aimed to secure the safety of the trust funds, its blatant failure to do anything of the kind being passed over. As Lord Clitheroe said in the Lords debate, the Trustee Act not only fails to protect the trust funds but makes it quite certain that a substantial portion of them will be lost. A scholasticism scraped together in defence of the negative stand of the Government was that the list should not have the object

of giving trustees scope for exercising their skill in investment, the unworthy thought being that they would dabble and gamble with trust funds and that uninformed investment would give greater safety than skilled.

We may recall that in evidence before the Nathan Committee the Institute of Chartered Accountants in England and Wales strongly urged the widening of the Trustee List in the context of charitable trusts. When the Nathan Committee reported in 1952, it put forward the formula proposed by the Institute for extending the list, and recommended it for both charitable and non-charitable trusts. The formula may be usefully recapitulated now, since the proposed legislation on the investment of funds is to embrace both charitable trusts and non-charitable. It was that investment should be permitted in equities up to one-half the funds of the trust, provided the issues were of nominal value of at least a million pounds, were quoted on the London Stock Exchange, and had not failed to pay an annual dividend of at least four per cent. in each of the preceding ten years.

It is not yet known whether the new legislation will extend the Trustee List or will amplify trustees' powers in some other fashion—as we go to press we await the further announcement that has been promised. If the Conservatives are still in, the next Parliamentary session is to see the legislation; if the next Government is Labour, one would expect that the same principles might be adopted, though there would be differences in methods and probably in timing.

Satisfaction that the Government has at last recognised the insufficiencies of the Trustee List must be tempered with some apprehension lest they are removed in the wrong way. Words of caution raised by Lord Simonds in the House of Lords debate deserve wholehearted endorsement. Lord Simonds said that if the Government should propose to give the right to invest in what are called "other than trustee securities" to some commission or other administrative body, or should wish to limit the right to institutional trustees only, he would quarrel with the Government. He spoke as though the Government might have some such plan in mind (though the reference seemed to be to charitable trusts alone). If it has, there will be many others who will be at issue with it. The extended powers of investment must, as Lord Simonds argued, be universal; must be outside the interference of any official body; and must certainly not differentiate in favour of institutional trustees against private trustees, who, to quote his words, "are just as competent—and very likely more so, because they take a personal interest—than these trust bodies."

In the first part of this article, published in our issue for May (pages 250-257), after a description of the accounts supplied by certain steel companies, Professor Baxter explained his techniques for measuring the effects of price changes upon those accounts. He then gave the results of a first study comparing the unadjusted accounts with revised statements for three companies during the period 1939-47. In the present article the study is continued for seven companies for the period 1949-57.

Inflation and the Accounts of Steel Companies—II

by W. T. Baxter, B.Com., C.A.

Professor of Accounting, London School of Economics, University of London

III RESULTS—PERIOD 1949-57

Changes in Pattern

Part III deals with a bigger sample of companies—seven instead of three—and a more recent period, 1949 to 1957. Because the sample has grown, and still more because steel plants expanded wholesale during recent years, our figures now have a different size and pattern. The pattern of inflation also changes somewhat: the general index of consumers' expenditure rises at a relatively slower pace; the index of fixed asset costs is a shade more sedate than during 1939-47; but raw material prices go up much faster than before, notably in 1952 and 1956.

Arrangement of Results

We shall arrange the figures in the same order as before, namely:

Costs and revenue

- (A) The ordinary figures from revenue accounts, with possible corrections, still in current £'s.
- (B) Corrected figures, converted into 1957 values.

Balance sheets

- (A) Ordinary figures.
- (B) Corrected figures, converted into 1957 values.
- (C) Gains from appreciation of fixed assets, and from owing money.

Costs and Revenue

(A) *Corrected profit in current £'s*

Table 4A, lines *a* to *e*, gives consolidated revenue figures

of the seven companies, as shown in their published accounts, for 1949-57.

These are years of booming output; trade profits (*a*) rise by some 250 per cent. Plant is greatly increased, in part with the help of fresh loans; and so depreciation (*b*) and interest (*c*) rise steeply. Net profit (*e*) more than trebles over the decade. About half of this profit is paid out as taxes (*j*), and dividends raise the fraction distributed to some two-thirds (*m*); so the published accounts depict about one-third of the profits as being ploughed back.

Line *f* deducts "inflation charges" on stocks and depreciation in order to correct profits. Details of the charges are given below the table (lines *o* to *u*). One contrast with the 1939-47 figures is notable. By 1949, some of the companies had themselves recognised that ordinary depreciation was inadequate, and in their own accounts were making transfers to replacement reserves. Stock allowances soon followed. These appropriations are listed in *o*, *p*, and *q* (and so form part of my total charge, *f*). By 1957, they had grown to nearly £12 million a year, exceeding by £3 million (*r*) the charges suggested by the general index, but still falling nearly £3 million short of the total based on specific indices (*y*); both tests suggest that inflation charges made by the companies themselves for depreciation have in recent years been more than adequate, while those for stocks remain too small.

As in the earlier period, the depreciation charge (*p*+*s*) exceeds the stock charge (*o*+*r*).

In this second period, the inflation charges (*f*)

TABLE 4A
REVENUE ACCOUNTS OF SEVEN COMPANIES, 1949-57

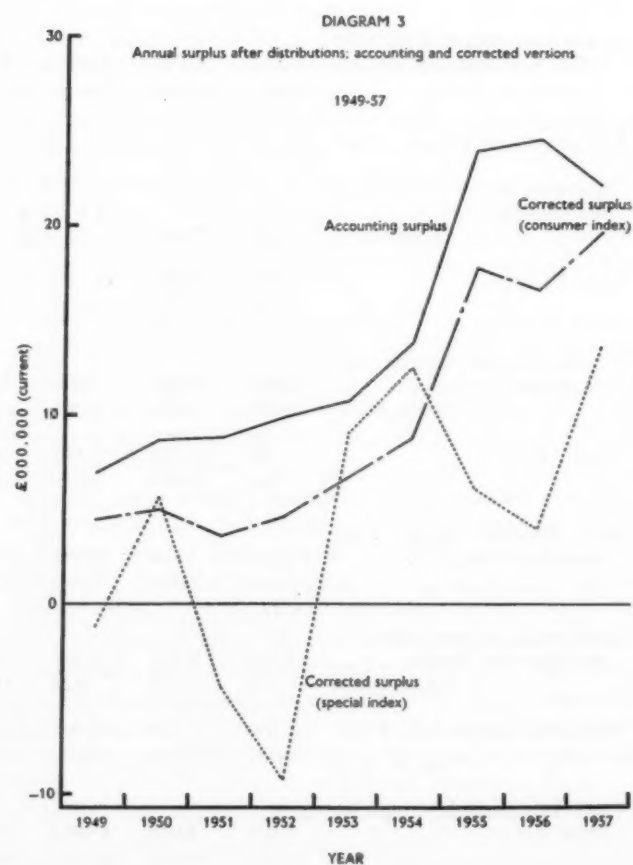
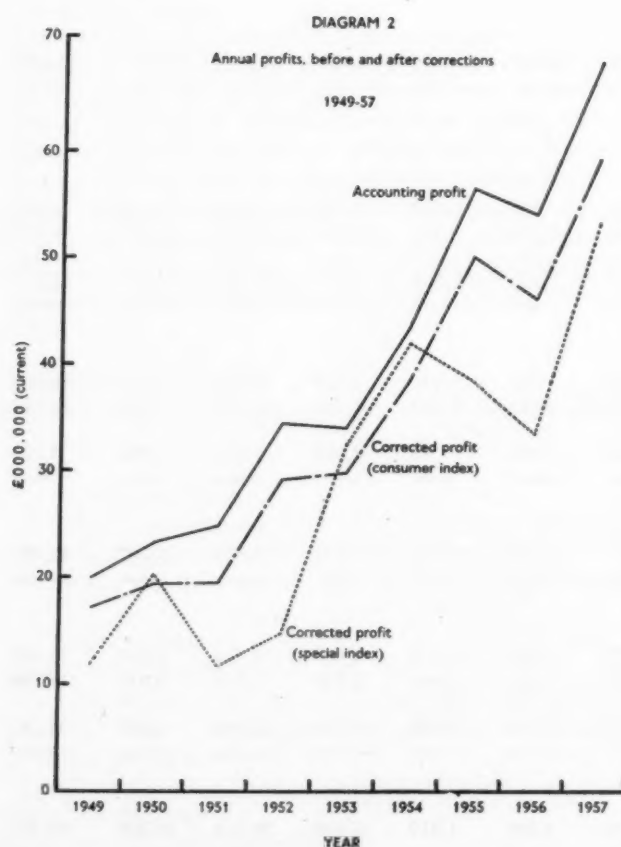
	Current £s.		£000 omitted							
	1949	1950	1951	1952	1953	1954	1955	1956	1957	Total
<i>a</i> Trade profit, uncorrected ..	25,049	29,254	31,799	43,805	45,704	56,796	72,216	72,705	90,397	467,725
<i>b</i> Less Depreciation (uncorrected)	4,358	4,813	5,321	7,684	9,581	10,577	12,344	13,804	16,699	85,181
<i>c</i> Interest	755	1,258	1,717	1,988	2,163	2,806	3,649	4,953	6,125	25,414
<i>d</i> Total of <i>b</i> and <i>c</i>	5,113	6,071	7,038	9,672	11,744	13,383	15,993	18,757	22,824	110,595
<i>e</i> Net profit (uncorrected) ..	19,936	23,183	24,761	34,133	33,960	43,413	56,223	53,948	67,573	357,130
<i>f</i> Less Inflation charges, consumption index	2,689	3,614	5,159	5,271	4,114	5,087	6,152	7,882	8,287	48,255
<i>g</i> Net profit (corrected)	17,247	19,569	19,602	28,862	29,846	38,326	50,071	46,066	59,286	308,875
<i>h</i> Less Extra charge to raise <i>f</i> to specific index	5,390	-558	7,903	14,052	-2,256	-3,768	11,796	12,650	6,033	51,242
<i>i</i> Corrected net profit after replacements	11,857	20,127	11,699	14,810	32,102	42,094	38,275	33,416	53,253	257,633
Less Distributions:										
<i>j</i> Tax	10,297	11,927	13,677	21,570	20,247	21,333	26,715	23,622	30,494	179,882
<i>k</i> Preference dividends ..	447	444	356	324	298	492	732	739	828	4,660
<i>l</i> Ordinary dividends ..	2,236	2,217	1,965	2,284	2,642	7,704	4,800	5,000	8,204	37,052
<i>m</i> Total distributions	12,980	14,588	15,998	24,178	23,187	29,529	32,247	29,361	39,526	221,594
<i>n</i> Surplus (corrected net profit after replacements and distributions)	-1,123	5,539	-4,299	-9,368	8,915	12,565	6,028	4,055	13,727	36,039
Details of inflation charges, <i>f</i> and <i>h</i> :										
<i>o</i> Allowance made in original accounts. Stocks			1,008	385	300	-136	700	1,000	1,100	4,357
<i>p</i> Depreciation	1,981	2,090	575	750	1,000	5,141	7,975	9,196	10,467	39,175
<i>q</i> Total, <i>o</i> and <i>p</i>	1,981	2,090	1,583	1,135	1,300	5,005	8,675	10,196	11,567	43,532
<i>r</i> Further allowance needed, consumption index, Stocks ..	1,001	1,898	2,088	1,863	303	1,921	1,807	2,183	2,240	15,304
<i>s</i> Depreciation	-293	-374	1,488	2,273	2,511	-1,839	-4,330	-4,497	-5,520	-10,581
<i>t</i> Total, <i>r</i> and <i>s</i>	708	1,524	3,576	4,136	2,814	82	-2,523	-2,314	-3,280	4,723
<i>u</i> Total inflation charge, consumption index, as in <i>f</i> ..	2,689	3,614	5,159	5,271	4,114	5,087	6,152	7,882	8,287	48,255
<i>v</i> Extra charge to raise above to specific index. Stocks ..	4,616	-1,343	6,981	12,472	-4,023	-5,936	8,968	9,733	2,074	33,542
<i>w</i> Depreciation	774	785	922	1,580	1,767	2,168	2,828	2,917	3,959	17,700
<i>x</i> Total extra charge, as in <i>h</i> ..	5,390	-558	7,903	14,052	-2,256	-3,768	11,796	12,650	6,033	51,242
<i>y</i> Total inflation charge, specific index (<i>u</i> + <i>x</i>)	8,079	3,056	13,062	19,323	1,858	1,319	17,948	20,532	14,320	99,497

TABLE 4B

REVENUE ACCOUNTS OF SEVEN COMPANIES, 1949-57

Stabilised in £s of September 30, 1957. £000 omitted

	1949	1950	1951	1952	1953	1954	1955	1956	1957	Total
<i>a</i> Trade profit (stock corrected, consumer index)	33,123	36,452	35,652	48,605	50,955	61,755	77,119	71,823	88,049	503,533
<i>Less</i>										
<i>b</i> Depreciation (corrected, consumer index) ..	8,327	8,700	9,172	12,523	14,791	15,581	17,689	19,115	21,893	127,791
<i>c</i> Interest	1,040	1,676	2,132	2,325	2,444	3,150	4,037	5,117	6,195	28,116
<i>d</i> Total of <i>b</i> and <i>c</i>	9,367	10,376	11,304	14,848	17,235	18,731	21,726	24,232	28,088	155,907
<i>g</i> Net profit (corrected)	23,756	26,076	24,348	33,757	33,720	43,024	55,393	47,591	59,961	347,626
<i>h</i> Less Extra charge to allow for replacement (specific indices)	7,424	-743	9,817	16,435	-2,549	-4,230	13,050	13,069	6,101	58,374
<i>i</i> Corrected net profit after replacements	16,332	26,819	14,531	17,322	36,269	47,254	42,343	34,522	53,860	289,252
<i>m</i> Less Distributions	17,878	19,439	19,871	28,279	26,197	33,149	35,675	30,333	39,977	250,798
<i>n</i> Surplus (corrected net profit after replacements and distributions)	-1,546	7,380	-5,340	-10,957	10,072	14,105	6,668	4,189	13,883	38,454



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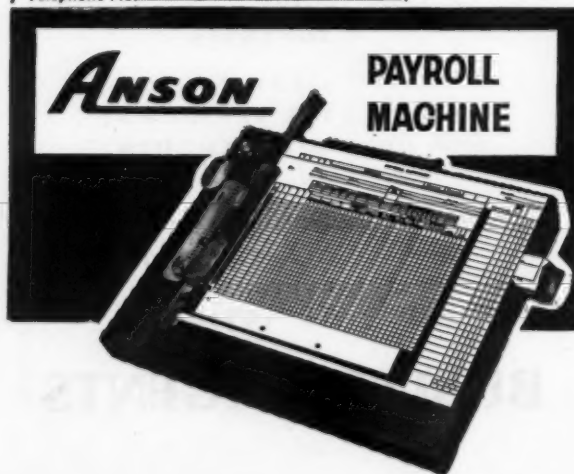
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average about 13 per cent. of uncorrected profit (compared with roughly 40 per cent. in 1939-47). This decrease is due in part to better trade, in part to the slackened pace of inflation. Moreover, because of the lavish purchases of plant, later depreciation figures in line *b* are based mainly on up-to-date values, and need only a relatively small inflation charge to raise them to corrected current costs.

Because the inflation charges are small, corrected profit (*g*) remains substantial. The extra "specific" charges to maintain physical stocks and plant (*h*), though slightly bigger in total than the charges based on the consumption index, are nevertheless covered in comfortable fashion by the corrected profit.

However, the impact of the charges on "surplus" is more serious (line *n*). Plainly the "distributions" of tax and dividend (*m*), though reasonable enough compared with uncorrected profit, are somewhat too big when both charges are taken into account; surplus is turned into deficit in three of the early years.

Diagram 2 repeats the three versions of profit:

- (1) Ordinary accounting figures, as in *e*—unbroken line.
- (2) Profit corrected with the consumption index, as in *g*—broken line.
- (3) Profit corrected with specific indices, as in *i*—dotted line.

There are three corresponding versions of "surplus"—that is, profit after distributions. They are shown in Diagram 3:

- (1) Accounting surplus—that is, uncorrected figures (unbroken line).
- (2) Surplus after deducting inflation charge based on consumption index (broken line).
- (3) Surplus after deducting inflation charge based on specific indices, as in *n* (dotted line).

Even the mild correction of the consumer index reduces the accounting surplus considerably. The more stringent effects of the special indices are shown by the dotted line.

In both diagrams, the ups-and-downs of the dotted lines are very noticeable. Desire for stability thus reinforces theoretical grounds for preferring the consumption index to the specific indices when determining correct profit.

(B) Corrected profit in stabilised £'s

Table 4B repeats many of the items in 4A, but converts the figures into £'s of September, 1957. Thus the 1957 column has nearly the same figures as the 1957 column of Table 4A (the latter being slightly smaller because transactions took place on average at about March 31, not September 30). The columns for earlier years contain larger numbers than in Table 4A—because the measuring-rod has shrunk.

Table 4B shows the trend of earnings better than Table 4A. The impression of upsurge is confirmed, though it is less marked; net profit (*g*) rises by about 150 per cent. over the 10 years (compared with 240 per cent. in 4A).

Balance Sheets

(A) Ordinary figures

Table 5A sets out the published figures. Line *n* adds a note of the cumulative inflation charges—that is, the overstatement in revenue reserve.

The remarkable thing about the figures is the growth of plant (*c*), which goes up to nearly five times its opening size; see also the unbroken line in Diagram 4. Stock values (*e*) rise at almost the same pace.

Line *f* shows that the companies managed, after the first three years, to operate with money-assets below current liabilities. Line *j* stresses the size of the Chancellor's claims; if current tax is also considered, these claims rise in the later years to about one-sixth of the asset total.

Window-dressing by the Iron and Steel Holding and Realisation Agency has deprived the credit balances of much of their normal meaning, and one must be cautious about interpreting them. In particular, revenue reserve (*k*) cannot be treated seriously; large slices of it were removed (for example, to provide bonus capital and loan stock) during the reorganisations that preceded public issues.

(B) Stabilised figures

Table 5B re-states Table 5A in terms of the £ of September 30, 1957. Thus its 1957 column has some figures also found in the same column of Table 5A (lines *e* to *h*, for items shown at current values in ordinary accounts), but figures based on historical cost are raised with the consumption index. For instance, the fixed assets in the 1948 column—consisting largely of pre-war purchases—are revalued at over double their cost figure, and depreciation also grows; in later years, when some of the older plant has been scrapped and much new plant bought, the increase in value becomes relatively less important.

Revenue reserves (*k*) fail to grow much during the decade (even though they rise considerably in Table 5A, despite window-dressing transfers), because Table 5B corrects for short-falls in depreciation and cost-of-goods-sold—some £50 million by 1957.

Table 5B shows *trends* in better perspective than 5A. The expansion indicated in Table 5A is confirmed. But the upward surge is gentler; assets have in real terms grown by roughly 170 per cent., not the 290 per cent. suggested by historical cost figures. This trend is also portrayed by the line for stabilised values in Diagram 4.

Line *l* traces the *gain from owing* over the decade. As the companies normally met some 30 per cent. of their financial needs with fixed-money loans (*f*, *g* and *h*), erosion of these loans was a large gain—£34 million. (Pre-1948 lenders in addition had lost some purchasing-power before 1948; such early transfers to the equity are not included in *l*, but in the figure for ordinary capital, etc., on line *m*.)

How was the expansion in assets financed? If various transfers from reserve are added back (and the corresponding bonus issues and additions to capital reserves

TABLE 5A

BALANCE SHEETS OF SEVEN COMPANIES, 1948-57

	Ordinary figures. £000 omitted									
	1948	1949	1950	1951	1952	1953	1954	1955	1956	1957
<i>a</i> Fixed assets—cost	106,894	132,792	164,283	196,138	222,648	259,457	298,855	337,448	389,635	458,700
<i>b</i> Less Depreciation (uncorrected)	32,102	35,908	42,745	47,229	54,020	62,991	69,839	81,012	94,029	111,073
<i>c</i> Net book-value	74,792	96,884	121,538	148,909	168,628	196,466	229,016	256,436	295,606	347,627
<i>d</i> Associated companies, etc. ..	15,016	14,850	13,280	16,520	16,098	13,318	8,776	8,893	7,637	6,760
<i>e</i> Stocks	32,079	39,307	42,064	44,199	60,650	69,494	71,186	77,833	101,567	120,749
	<u>121,887</u>	<u>151,041</u>	<u>176,882</u>	<u>209,628</u>	<u>245,376</u>	<u>279,278</u>	<u>308,978</u>	<u>343,162</u>	<u>404,810</u>	<u>475,136</u>
<i>f</i> Current liabilities, less money assets	-15,753	-1,175	-2,468	1,331	12,953	13,985	12,413	3,717	23,970	21,068
<i>g</i> Debentures and loans	22,066	28,346	46,654	56,630	61,200	73,780	96,301	103,703	117,732	121,798
<i>h</i> Preference capital	15,012	15,012	15,012	15,012	11,399	11,399	25,097	24,097	24,097	27,097
<i>i</i> Maintenance provision	7,878	6,947	7,383	6,168	6,784	7,880	9,317	11,087	13,004	14,864
<i>j</i> Tax reserve (non-current) ..	6,387	8,875	11,155	16,108	27,674	29,893	35,374	44,586	45,147	52,280
<i>k</i> Revenue reserves and miscellaneous (uncorrected) ..	34,793	41,482	47,715	57,844	64,876	75,141	57,461	70,978	87,923	90,143
<i>m</i> Ordinary capital and capital reserves	51,504	51,554	51,431	56,535	60,490	67,200	73,015	84,994	92,937	147,886
	<u>121,887</u>	<u>151,041</u>	<u>176,882</u>	<u>209,628</u>	<u>245,376</u>	<u>279,278</u>	<u>308,978</u>	<u>343,162</u>	<u>404,810</u>	<u>475,136</u>
<i>n</i> Inflation charges (cumulative) ..		2,689	6,303	11,462	16,733	20,847	25,934	32,086	39,968	48,255

TABLE 5B

BALANCE SHEETS OF SEVEN COMPANIES, 1948-57

	Stabilised in £s of September 30, 1957. £000 omitted									
	1948	1949	1950	1951	1952	1953	1954	1955	1956	1957
<i>a</i> Fixed assets	216,060	249,320	289,931	327,290	354,013	393,976	435,642	474,825	521,736	586,026
<i>b</i> Less Depreciation (corrected) ..	78,842	84,662	98,511	104,627	112,451	125,067	134,436	147,918	160,354	178,846
<i>c</i> Net book-value	137,218	164,658	191,420	222,663	241,562	268,909	301,206	326,907	361,382	407,180
<i>d</i> Associated companies, etc. ..	20,955	20,726	18,634	22,658	22,164	19,022	13,923	14,052	12,754	11,867
<i>e</i> Stocks	45,768	54,345	55,489	53,095	69,707	79,018	78,914	83,495	104,727	120,749
	<u>203,941</u>	<u>239,729</u>	<u>265,543</u>	<u>298,416</u>	<u>333,433</u>	<u>366,949</u>	<u>394,043</u>	<u>424,454</u>	<u>478,863</u>	<u>539,796</u>
<i>f</i> Current liabilities, less money assets	-21,983	-1,594	-3,193	1,599	14,888	15,901	13,761	3,987	24,715	21,068
<i>g</i> Debentures	30,793	38,446	60,346	68,035	70,343	83,888	106,760	111,242	121,393	121,798
<i>h</i> Preference capital	20,949	20,361	19,418	18,035	13,102	12,961	27,823	25,849	24,846	27,097
<i>i</i> Maintenance provision	10,994	9,712	10,293	8,784	9,504	10,742	12,355	14,313	16,293	18,173
<i>j</i> Tax reserve (non-current) ..	8,913	12,339	15,377	21,529	35,057	37,564	43,717	53,908	54,488	61,704
<i>k</i> Revenue reserves and miscellaneous (corrected)	48,554	53,192	52,874	58,844	60,284	67,106	41,002	48,558	60,186	52,234
<i>l</i> Gain from owing (cumulative) ..		1,276	4,590	10,607	14,650	15,612	18,912	23,640	29,181	34,383
<i>m</i> Ordinary capital, capital reserves, etc.	105,721	105,997	105,838	110,983	115,605	123,175	129,713	142,957	147,761	203,339
	<u>203,941</u>	<u>239,729</u>	<u>265,543</u>	<u>298,416</u>	<u>333,433</u>	<u>366,949</u>	<u>394,043</u>	<u>424,454</u>	<u>478,863</u>	<u>539,796</u>

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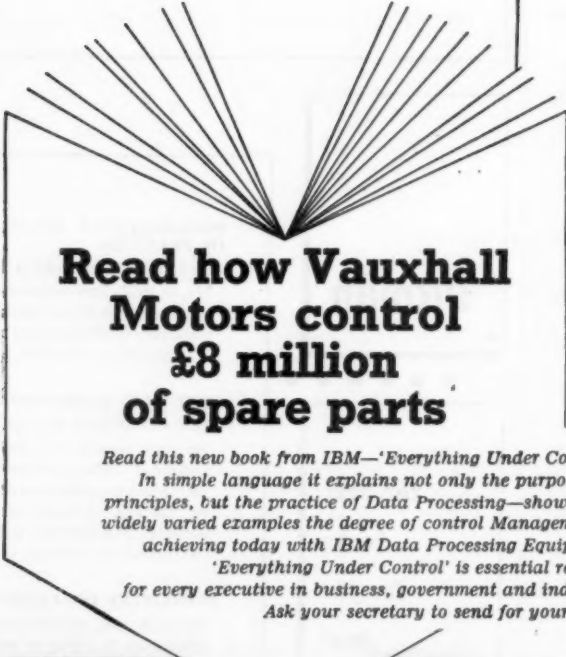
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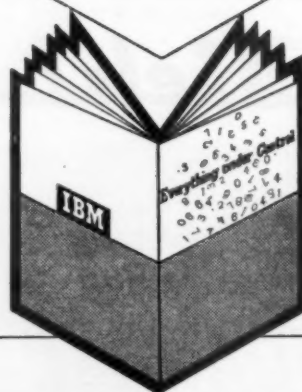


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TABLE 5C

REAL VALUATION GAINS (CUMULATIVE) OF SEVEN COMPANIES, 1949-57

	Current £s.		£000 omitted							
	1948	1949	1950	1951	1952	1953	1954	1955	1956	1957
Fixed assets, less depreciation, raised by:										
a Specific index	110,090	132,526	159,856	203,212	233,943	262,888	301,650	342,419	395,296	467,249
b General index	98,332	121,407	147,997	185,351	210,177	236,496	271,668	304,700	350,447	407,180
c Real appreciation (cumulative)	11,758	11,119	11,859	17,861	23,766	26,392	29,982	37,719	44,849	60,069
Gain on owing (cumulative)										
d On money assets less current liabilities		-229	-336	-422	-176	-44	294	446	654	1,387
e On debentures and preference capital		1,170	3,885	9,251	12,924	13,767	16,770	21,585	27,647	32,996
f Total gain on owing		941	3,549	8,829	12,748	13,723	17,064	22,031	28,301	34,383
g Total, c+f		12,060	15,408	26,690	36,514	40,115	47,046	59,750	73,150	94,452

are excised), the sources may be set down roughly as the following percentages:

	Ordinary accounts Percentage	Stabilised accounts Percentage
New issues:		
Loans	29	36
Ordinary capital	9	9
	38	45
Internal sources:		
Depreciation and maintenance	20	25
Trade revenue	31	18
Tax reserve	11	12
	62	55
	100	100

In real terms, 45 per cent. of the growth came from outside;* internal sources provided 55 per cent. Corrected depreciation stands higher, and corrected profit much lower, than uncorrected figures.

(C) Valuation gains in real terms

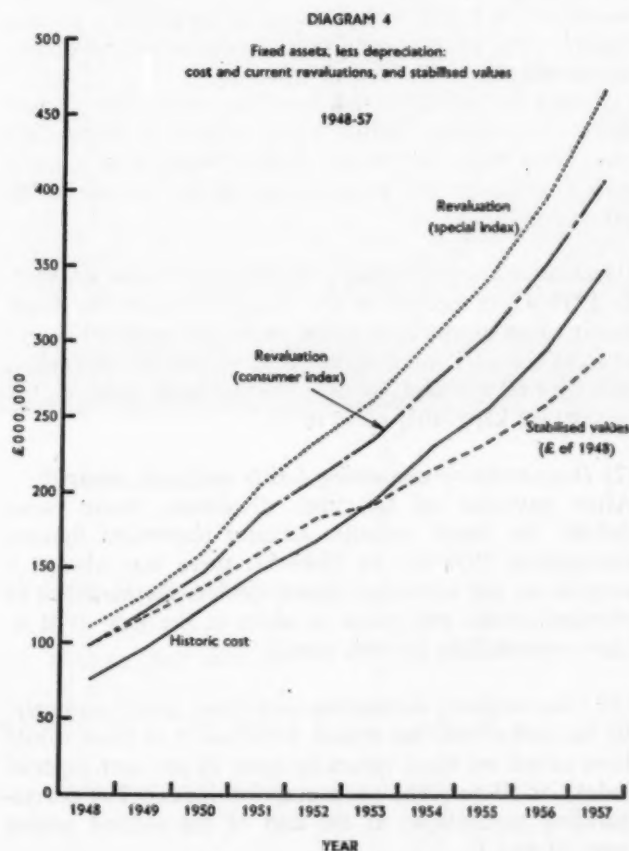
Table 5C summarises the valuation gains. Line *a* revalues the fixed assets, with the help of the special plant index. The results suggest the values that might have been put into ordinary balance sheets had the assets been re-stated each year at current replacement cost; thus comparison of the 1957 estimate (£467 million) with the cost figure of Table 5A, line *c* (£347 million) shows appreciation of some £120 million, or approximately a third. The same two sets of values are shown in Diagram 4 by the dotted and the unbroken lines.

Line *b* gives a lower set of plant values, found with the consumption index; these are also represented in Diagram 4. The excess of *a* over *b* is given in *c*, and

may be regarded as a real gain for the companies. It rises to £60 million over the decade.

Next in 5C comes the gain from owing—mainly unrealised benefits from the lessening burden of long-term debt (*e*).

The total of these two forms of gain is shown in *g*—and comes in the end to over £90 million.



* The loans are stated at their "arrival" value—that is, before allowing for subsequent transfers to the equity via gains on owing.

Return on Investment

Did the vast investment in new assets give a commensurate return? Comparison of trade profits with asset totals, in both the A and the B tables, shows that assets and profits grew at much the same rate; indeed, the closeness of the correlation has a somewhat artificial flavour. Normal accounts suggest a steady yield of about 15 per cent. on the assets; stabilised accounts show that the real yield was about 13 per cent. The real earnings of the equity alone were roughly 13 per cent. in early years, but rose to some 17 per cent. by the close.

IV CONCLUSIONS

Data Summarised

Let us now review our findings.

The main features of the two periods, it will be remembered, are:

1939-47. General prices rose on average by some 8 per cent. each year. As might be expected during a war, plant did not grow much.

1949-57. General prices rose on average by some 4 per cent. each year. Plant was greatly expanded.

Our results for the two periods—it turns out—differ somewhat. It is useful that they do: the contrast gives a clearer view of the conditions under which ordinary accounting becomes open to criticism.

It may be helpful to ask questions about the alleged defects of ordinary methods, and then to state how far our survey bears out the criticisms. (Needless to say, the questions would have to be re-phrased in times of falling prices.)

(1) Does ordinary accounting seriously overstate profits?

In 1939-47, correction of the ordinary figures cut down profit to an extent that varied over the years—12½ per cent. at the start, some 40 per cent. in the middle period, and over 80 per cent. in 1947. Throughout 1949-57, the percentage kept fairly close to 13.

(2) Does ordinary accounting fail to maintain capital?

After payment of tax and dividends, there were deficits on trade revenue account (corrected figures) throughout 1939-47. In 1949-57, there was always a surplus on the corrected figures (unless maintenance of physical stocks and plant is taken as the test—if it is, there were deficits in three years).

(3) Does ordinary accounting understate assets seriously?

By the end of the first period, revaluation of plant would have raised net book values by some 70 per cent. (special index) or 50 per cent. (consumption index). The corresponding percentages at the end of the second period were 34 and 17.

(4) Does ordinary accounting alter trends?

Comparison of uncorrected with stabilised results shows that ordinary accounts impart a flattering upward bias. This bias was marked in 1939-47, less so in 1949-57.

(5) Is the "gain on owing" sizeable?

A loan for the whole of the first period was in effect written down by nearly 9s. in the £; for the second, by some 5s. 8d. Thanks to these transfers to equity-holders, their final investment was raised by about one-quarter (1947) and one-tenth (1957). In neither period were these gains sufficient to wipe out the shortfalls in depreciation and cost-of-goods-sold (though they came near to so doing in the first).

Type of Index

Our two sets of results throw light on the question whether a general price index gives results that differ much from those obtained by using special indices for each type of asset.

In the first period (see Table 2A), the choice of method makes remarkably little difference to the resultant profits. But in the later period (see 4A), the special indices on average more than double the inflation charges found by the general index; and their impact in different years fluctuates wildly. The moral seems to be: use the general index for correcting profits, and the specific indices as guides for appropriating extra sums, in round numbers, based on long-term needs.

For asset revaluation, the special plant index seems the logical tool, and gave higher values than the general index in both periods.

General Application

The 1939-47 results agree fairly well with those in the study of American steel companies (which covered 1941-7).

How far would our findings apply to concerns other than those in the steel trade? The answer presumably depends on financial and asset structures. Thus low gearing lessens the gain from owing; but gearing of the steel companies seems not untypical of that of many large enterprises. Relatively little in stocks and plant reduces the inflation charges; perhaps steel companies are exceptional in that their depreciation charge exceeds their stock charge, but the total of the two must surely be substantial for any industrial concern.

In one particular, the figures of the steel companies for the second period probably fail to illustrate the weakness of ordinary accounting. As we have seen, the expansion of steel plants was so great that the ordinary depreciation charges for later years were in large part based on recent high-price acquisitions; and so these charges came unusually near to being adequate. Other types of firm may not have fared so well; and in a few years (unless inflation ends or plant goes on growing at an almost inconceivable pace) understatement of depreciation will again be a serious problem for steel companies.

(Concluded)



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An accountant's review of the 46th Business Efficiency Exhibition held at Olympia, London, this month. The exhibition was run by the Office Appliance and Business Equipment Trades Association.

Speed and Design in the Streamlined Office

by J. A. Goldsmith, M.A., A.C.A., A.C.W.A.

SPEED AND DESIGN were the keynotes at Olympia this year. Speed and design in office equipment which, properly used, could save millions of pounds in office costs in this country.

Walking round the exhibition we were impressed by the immense improvements in styling, evident on almost every stand. Another influence this year was the easing of dollar restrictions, and there was a great deal of equipment, new to this country, although tried and proved in America.

The Exhibition was the largest of its type ever held in this country, and probably the most successful. Our review cannot possibly mention all the new equipment on show—or indeed do real justice to the exhibits that are mentioned. We can but highlight some of the exhibits which will help to streamline the office of the modern businessman.

Accounting Machines

The *Muldivo Calculating Machine Co. Ltd.* produced a new model this year, the Madas 20 BZS, which is a fully automatic calculator. On the Numeria stand also there was a range of models, including a new hand calculator at a very low price.

The stands of both *The National Cash Register Co. Ltd.* and *Burroughs Adding Machine Ltd.* were extremely well laid out. Each had a great many machines operating and demonstrating actual applications. The theme on the N.C.R. stand was to illustrate how a practical low-cost complete automation system could be carried out by degrees. The National Class 42 machine was shown in Britain for the first time—it is a very high-speed ledger and statement posting machine. An even faster ledger posting machine on show was the National Postronic, which picks up the previous ledger balance and any other basic information automatically from magnetic strips on the ledger card itself. The Burroughs Electronic

Book-keeping Machine F.4212, which has similar facilities to the Postronic, was also on show. Both these machines in the right circumstances will reduce operator effort and fatigue to a minimum.

Another Burroughs machine which is already used in the United States is the Sensimatic Proof and Distribution Machine, designed to enable bank cheques and slips to be proof listed, and sorted automatically into appropriate pockets at the same time. But these were only a few of the new developments to be seen on these two stands.

Punched Cards

Both *International Business Machines* and *International Computers and Tabulators* had quite large stands for punched card equipment. On the I.B.M. stand one of the principal items was the 305 Romac which was installed and operating. This computer, with its large random access store, has been designed to handle a variety of commercial jobs, particularly where balances or other standing information must be referred to frequently. Shortly before the show I.B.M. announced a new high-speed sorter operating at 2,000 cards per minute.

On the I.C.T. stand the Type 1202 computer was operating in public for the first time. It is a larger version of the 1201 (previously known as the Hec 4), having a drum store with 4,096 locations. Many of these computers have already been ordered for commercial work. In the middle of the I.C.T. stand there was also a sorter capable of handling Powers 80, Powers 160 and Hollerith 80 cards without adjustment. This sorter is particularly interesting, as it exemplifies how Hollerith and Powers Samas are achieving their merger into the one large company, I.C.T.

Printing and Addressing Machines

On the *Rank-Xerox Ltd.* stand the first automatic "xerographic" machine was on show—the Copyflo

continuous printer. It was printing enlargements from microfilm straight on to ordinary unsensitised paper at a rate of 20 feet per minute. This speed of reproducing extends the potential use of microfilm tremendously for document handling, and a further point of interest is that the microfilms were embedded in punched cards which could be sorted and automatically fed to the printer.

Another copying machine of interest is a photo-copier very recently introduced by *Block & Anderson Ltd.*, which will make a perfect aluminium offset plate ready for printing in one minute. It can also copy photographs—all, it is claimed, at a fraction of the cost by other methods.

Addressograph-Multigraph Ltd. were showing the Model 831 Transfer Printer. This, instead of address plates, uses a sprocket driven continuous master on which addresses can be printed in reverse. The 831 then prints from the image on to envelopes or other documents. This equipment can therefore be used with punched card tabulators—perhaps recording output from a computer.

Adrema Ltd. showed a new hand embossing machine called the "Grosvenor," designed to make small installations self-contained in respect of amendments and additions to the plate file.

Dictating and Recording

K. S. Paul (Printing Machinery) Ltd. had another very interesting stand, with two products which appear to have great potential. Firstly, a telephone-answering machine which can answer incoming calls when the office is closed. It gives the name of the company, offers to record a message, and after the message has been recorded resets itself for the next call. The second device is the Hellfax facsimile equipment, which enables a document such as a drawing or order form to be reproduced at the far end of an ordinary telephone line.

The *Dictaphone Company Ltd.* showed for the first time the new Model Six Time-Master dictating machine.

Office Furniture

It is in office furniture that there has been the greatest step forward in design. Looking back at catalogues only a year or two old the furniture being offered was frequently drab and plain; now the same firms are offering exciting new ranges. The latest introduction by one leading office furnishing firm, *The Shannon Limited*, is functional desking made in units which can be built up into varieties of shapes to make the utmost use of awkward corners. The pedestals and drawers of the desks are in steel, with a large choice of attractive colours, and the tops are in natural wood such as mahogany and oak. Many other firms such as *Roneo Ltd.*, *Sankey-Sheldon Ltd.*, *Hall Engineering Ltd.*, and *Abbott Bros. (Southall) Ltd.* have similar modern designs in steel and in wood. *Carson Bros. (Productions) Ltd.* showed a suite of office furniture in teak—a very durable wood which does not require the high polish of mahogany. *Harvey & Co. (London) Ltd.* have produced a most practical desk for an executive. It has an overhang on all four sides to enable

several people to meet and sit comfortably round the desk at the same time.

There has been publicity during the past year or two concerning research on the design of chairs which really fit the user, and several of these new chairs were on show. *Office Machinery Ltd.* have designed a new chair for typists, called "Sitting Pretty," which has latex foam cushioning and an adjustable back and seat. *Dare-Inglis Products Limited* have the Delta range of chairs which are all metal in construction.

New colours were not confined to desks and chairs; there were filing cabinets and steel cupboards with a variety of smart dual colours.

Typing and Typing Attachments

Typewriters too had a new look. I.B.M. continued their range of electric typewriters with a choice of colours, while the *Underwood Business Machines Ltd.* stand was very gay with a completely new range of hand and electric machines imported from America. The new Underwood portable is particularly interesting. For the amateur typist there is a special key to clear jams arising when two keys have been pressed together by accident. There is also an indicator to show the number of lines left to the end of the paper, and there is a new easyfit device for the ribbon.

Smith-Corona (Great Britain) Ltd. also have a range of portable typewriters in pastel shades and weighing less than nine pounds. This year *British Olivetti Limited* have produced the 82 Diaspron, which is a new office typewriter styled by Marcello Nizzoli.

A new typing development is the Auto Typist from the United States, distributed in this country by *British Equipment Co. Ltd.* An I.B.M. typewriter is coupled to a wide perforated paper roll, which automatically operates the typewritten keys. On each roll up to 250 lines of typewritten copy can be stored and selected by means of a series of push buttons. Thus different paragraphs can be chosen and automatically typed, the operator stopping the machine and entering manual additions wherever required.

There are a number of improved devices for handling carbons when typing. *A. J. Catlin Ltd.* have now produced the "Cat-Quick" attachment. Ordinary carbons are automatically drawn from a completed form to the next form to be typed. It is used with ordinary continuous stationery. For high-speed billing by typewriter *Lamson Paragon Ltd.* have produced the "Paragon Fanfold Form-Feed." It is claimed that typing output can be increased by up to 100 per cent.

An interesting book-keeping innovation is the "Twin-tronic," produced by *George Anson & Co. Ltd.* and consisting of a front-feed typewriter, an electric adding machine and a unit for coupling the two. The typewriter front feed enables ledger forms to be inserted and aligned automatically to the correct position. The *Ruf Organisation Ltd.* are marketing a series of machines based on similar principles and imported from Switzerland. The combination of machines becomes in effect a cheap one-register

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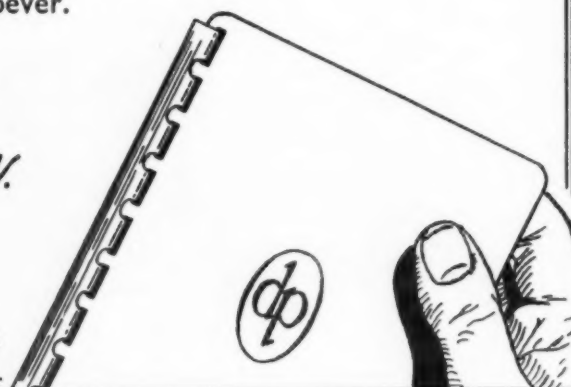
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accounting machine with the added advantage that the typewriter and adding machine can easily be separated and used on other jobs.

A typewriter keyboard has also been adopted this year by *Logabax Ltd.* The typewriter is alongside the accounting and analysing machine with a common carriage running between them. It should therefore be possible to post the sales ledgers and prepare statements or even sales invoices while analysing the items at the same time.

Underwood Business Machines Ltd. have this year introduced a great deal of new equipment from the States. Besides the typewriters, already mentioned, they have increased the range of addressing machines. They also showed an Underwood Data-Flo System—a variable number of automatic electric typewriters, totalizers, paper tape punches and readers. The plan is to use the paper tape as a storage medium and, in this way, to build up integrated data processing schemes. *Bulmers (Calculators) Ltd.* are also marketing very similar Friden equipment including the Flexowriter, which has been available in this country for several years. The great advantage of machines of this type is the flexibility of a full typewriter keyboard enabling special instructions to be typed without difficulty. They appear to have great possibilities, particularly in the smaller firm, or where punched cards, or more complex accounting machines, might be difficult to apply.

Files, Charts

An interesting newcomer this year was the Hesperia Cyclocard, a drum card file from Belgium being marketed in this country by *Carter Parratt Ltd.* As an example one model can hold up to 45,000 punched cards, and, by rotating the drum electrically, any single card could be found and extracted in a maximum of fifteen seconds.

Wall charts are continuing to gain in popularity, particularly as a means of controlling factory production or charting sales. Amongst others *Remington Rand Ltd.* and *Roneo Ltd.* had several on display. *Adapta Charts Ltd.* showed a new product—the Movigraph Rotacol. The chart is broken into fifty perforated plastic strips so that information can always be charted and maintained in strict numerical order—a big task normally when a complex chart has been made up. A second chart on show was in a cabinet with a picture on the door. Confidential information can thus be completely hidden, with outsiders not even knowing of its existence. *Chatwood-Milner Ltd.* have also used a similar idea for a new series of wall safes with key or combination locks specifically designed for concealment by a picture.

Amongst other new products produced by *Kalamazoo Limited* are two wall indexing charts known as the Wall Strip Index and the Rotary Strip Index. They should provide an efficient means of keeping detailed lists in order.

Accountant at Large

Quis Custodiet . . .

ONE OF THE most interesting phenomena of the modern business world, easily though we take it for granted in our daily lives, is the limited company, ranging from the very small to the gargantuan, from the simple company to the complex group. From the company in which one man may himself be majority shareholder, director and manager to the vast organisation whose shareholders, directors and managers are in three disparate categories. There are any number of points on the scale of size and complication; and, broadly speaking, the problems increase with the size.

The history of this form of organisation is itself of some interest. In the

historical view there could be nothing more natural than that a man, faced with an enterprise too large for his own resources, should suggest to his neighbours that they should associate with him upon a joint stock, each taking profit—or loss—proportionate to the funds he puts into the venture. From that distant beginning stemmed the 459 Sections of the Companies Act of 1948. There in essence is the principle of the company.

Some of the complications have followed upon the principle of limited liability. The company would have remained stunted had unlimited liability remained the general rule, and, quite early, incorporation by

royal charter could also carry greater or lesser limitation of the members' risk. The wider acceptance of the principle made the formation of a company attractive to much smaller groups than had wished to incorporate before, and the logical conclusion came in *Salomon v. Salomon & Co.* [1897] A.C. 22, when the Court of Appeal held that what was virtually a one-man company was in law a different person from the one man: Lord Macnaghten said "I cannot understand how a body corporate made 'capable' by statute can lose its individuality by issuing the bulk of its capital to one person." The *Salomon* decision highlights nicely the question that has exercised jurists through the years: what exactly is this personality with which the law invests the corporation?

It is not, of course, a purely legal concept. It is within the experience of many accountants that company A can be more different from com-

pany B than any differences in their articles of association, or even in their present Boards of directors, can logically explain. A company with any substantial history behind it can be powerful enough to mould the people who control it at any moment in time: its booklet writers who dwell on its "traditions" have much more truth than the cynics like to allow, and although "no soul to damn and no body to kick" neatly presents one side of the medal, there is another side—and a better one.

But the believers in tradition and the cynics alike find it difficult to give a wholly satisfactory answer to the question "Who is the company?" The shareholders are in law the owners, as successive takeover bids remind us. The English more than most races, with their affection for the rebellious Little Man, tend to cheer on the shareholders who assert themselves at the expense of their directors, and takeover bids have by and large probably been more unpopular with the Establishment than with the man in the street. But viewed in any but a legalistic light there is something artificial about the idea that Jones, who bought his shares yesterday, last week or last year, is more truly the company than Smith, the chairman and managing director who, tyrannical and remote though he may be, has worked and dreamed the company for thirty years—or indeed than Brown, the clerk in the sales department, whose livelihood depends more exclusively on the prosperity of the company than does either Jones's or Smith's. It has been remarked with some justice that in all the British Aluminium controversy there was extraordinarily little concern expressed anywhere about the interests either of staff or of customers; the widespread interest in the welfare of the shareholders can be considered more than a little unbalanced.

There is here an obvious, but quite un-legal, difference between the big company, with thousands of shareholders, and the little one, with a handful. To put it no higher, there is a much bigger problem of communication in the big company than in the small. It is wholly a good thing that

big companies should give their innumerable shareholders as much information as possible about the work they are doing, the way they are financing it, the profits they are making and the use they are making of them; but when all the information is given, a majority of the small shareholders are probably still a long way short of feeling that they really own their company, while the big corporate shareholders, notably the insurance companies, if they think of the matter at all, are more interested in the ownership of themselves.

It may well be that in fact the shareholding concept has been adapted through the years to something that is, properly regarded, quite different. When Picklocks Ltd. raise a million pounds of new capital, and John Doe buys his £100 of it, is the transaction not in the nature of a loan rather than in the nature of the purchase of a part of the company? Certainly it is thus that many directors of great public companies regard the share transactions of their companies: just as the shareholders find it hard to view themselves as truly owners of their companies, so their directors can find it well-nigh impossible—and very painful—to regard the thousand and one shareholders as truly their proprietors. Hence the popularity in certain quarters (amid obloquy from all round) of the non-voting share.

When so many of the participants find the framework in which they operate quite unreal one may wonder whether that framework is really sound. But if the shareholders are not to be regarded as owners, who are? Can a company be in fact ownerless? How far is a company capable of a robot-like life of its own, as a sort of financial Frankenstein? There have been plenty of speculations about a company owning itself. The law in England sets its face firmly against this kind of science fiction but American law (for example) does not, and last year's decision in *re Castiglione's Will Trusts*, reinforcing the decision of 1929 in *Kirby v. Wilkins*, offers the beginnings of a principle that could develop into a strange shape. And there was Mr. George Goyder's suggestion, a few

years ago, that shares should be compulsorily redeemable over a period of years, leaving ownership with management and employees: that could provide the answer to more than the one question in company law, for some of the social as well as the legal critics of our present system would find it satisfying.

The social critics are indeed not to be forgotten amongst those who think that what we may call orthodox development has run its course, and that the time is at hand for fresh and radical thought. It will be remembered that Mr. Goyder suggested also* that the responsibility of the company to its employees, to its customers and to the community at large should be given at least the importance already given to its duties to its shareholders, by being built into its constitution. That is another point again: the whole subject is much fuller of question marks than most of us in our daily work have occasion to remember. But whether or not we approve of the established order it is well to have in mind that it has its sworn enemies; whichever side we are on we should occasionally question the bases of the Establishment, and make sure we can produce reasoned rather than emotional answers.

* In *The Future of Private Enterprise*.

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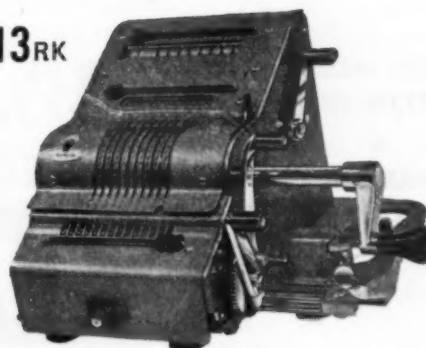
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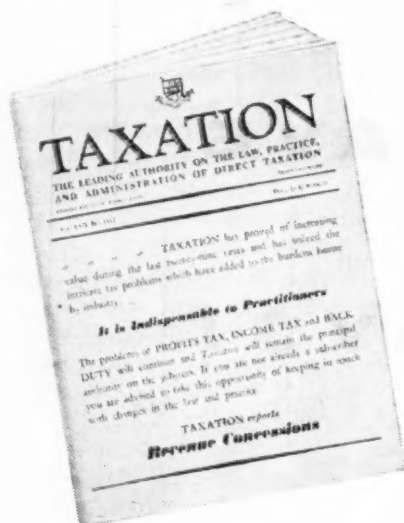


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Taxation

The Cotton Scheme—Tax Questions

UNDER THE COTTON Industry Bill now before Parliament, the Cotton Board may make compensation payments in respect of contraction or cessation of trading under any re-organisation scheme relating to any section of the industry. To meet the payments, charges are to be imposed under the re-organisation scheme on concerns and persons registered with the Cotton Board as carrying on business in that section of the industry, and the Board of Trade may pay two-thirds of the amounts required by the Board to make the compensation payments. Any scheme may include provisions for the disposal of any sums raised and not required for compensation payments or any expenses incurred by the Board in relation to that section of the industry. (See also ACCOUNTANCY for May, 1959, page 242.)

Compensation Contributions

Contributions paid will be allowable as deductions against profits for income tax purposes. Where a concern or person pays, wholly and exclusively for the purposes of a trade in respect of which the concern or person is chargeable under Schedule D, Case I, a contribution in furtherance of a scheme which is for the time being certified by the Board of Trade as one for rationalising industry, the contribution will in so far as it is paid in furtherance of the primary object of the scheme be allowed as an expense in computing the profits or gains of the trade (Section 463, Income Tax Act, 1952). The term "contribution" does not include a sum paid by way of loan or subscription of share capital or in consideration of the transfer of assets or by way of a penalty for contravening or failing to comply with the scheme.

Compensation Receipts by Businesses

The payments by the Cotton Board to a concern or person carrying on a trade to which the scheme relates will be treated as trading receipts to be taken into account in computing the profits of the trade. Where a payment is made to a concern or person ceasing to trade, the payment is treated as a trading receipt on the last day on which that person carried on the trade. In determining whether a trade has been discontinued, the provisions of Section 145 (which relate to changes in proprietors) do not apply.

Employees' Compensation

Clause 5 of the Bill states that provision may be made by the re-organisation scheme relating to any section of the industry for paying compensation to persons employed in that section. The trade unions concerned have indicated that they desire such compensation to be tax-free, and Sir David Eccles has stated in the House that the

Government sees no reason why it should be taxable. It is understood that compensation payable on a compensation order made under Section 9 (2) (b) of the Reinstatement in Civil Employment Act, 1944, is not liable to income tax. Possibly the same reasoning applies in this case. From all points of view it would seem advisable to have statutory provision on this matter. This would avoid difficulties where some employees have and some have not service agreements. For employees without service agreements entitling them to specific sums on the loss of their jobs, the sums paid for loss of future earnings would not be taxable (see *Chibbett v. Joseph Robinson & Sons* (1924) 9 T.C. 48, and *Henley v. Murray* [1950] 1 All E.R. 908). Where employees have service agreements which provide in advance of services for the payment of a sum on termination of the employment, the amount paid is an emolument of the office and liable to tax under Schedule E (see *Henry v. Foster* (1931) 16 T.C. 605, 625 C.A.).

Re-equipment Grants

Clause 2 of the Bill contains proposals designed to assist the industry to modernise its plant. It is proposed that the Board of Trade may make to any person in respect of any qualifying expenditure incurred or to be incurred in re-equipping a business carried on by him a re-equipment grant not exceeding one-quarter of the expenditure.

The qualifying expenditure is defined as expenditure incurred after April 23, 1959, in the purchase and installation of machinery or equipment or in the modernisation of machinery or equipment and satisfying such conditions as the Board of Trade may from time to time require. It is interesting to note that the Bill contains no provisions relating to new buildings or expenditure on modernising buildings. The cost of altering an existing building incidental to the installation of plant can be included as part of the cost of the plant (Section 300, Income Tax Act, 1952).

Each business acquiring plant, etc., will receive if the Finance Bill is passed in its present form a further "subsidy" from the Government in the form of investment allowances on its share of the expenditure on plant and machinery and buildings. That part of the expenditure contributed by the Government by way of its grant will not rank for investment, initial or annual allowances, as a result of the provisions of Section 332, Income Tax Act, 1952.

Where plant is scrapped or sold balancing charges may arise. It is suggested that the provisions of Section 482, Income Tax Act, 1952, might be extended to cover the reorganisation of the cotton industry.

The Importance of Accounting Dates

WHILE ACCOUNTS are normally made up to the date when their final stages cause least disruption in the business—for example, when stocks are at their lowest and trade is slack, as in the big stores after the January sales—the income tax aspect should never be overlooked. For many reasons, a date early in the income tax year has advantages. As an example, consider a new business which makes progressive profits (Illustration 1).

It may now be asked whether the benefit of the April 30 accounting date would not be lost when the business was terminated. The position of a progressive fall can be shown as in Illustration 2.

These figures are not in themselves conclusive, but a similar result will generally follow unless there are wild fluctuations in profits.

The accounting year ending on April 30 may also be the means of saving tax on much of an abnormal profit (Illustration 3).

Another advantage of an April 30 year-end with an expanding business is the delay in tax becoming due on the assessments based on the profits of a particular year. For example, the year to April 30, 1956, forms the basis of the assessment for 1957/58, on which income tax is due in 1958 and surtax in 1959—and a surtax-payer can earn a high rate of real interest by buying Tax Reserve Certificates.

Correspondingly, there is a delay in getting the relief for capital allowances for the same reason, although the disadvantage disappears if Tax Reserve Certificates are maintained at their appropriate level.

Illustration (1)

Business started May 1, 1956, and making profits of £100 per month until December 31, 1956; £180 per month during 1957; £250 per month during 1958; and then £300 a month to March 31, 1959. (This information would not be known in advance, of course, and has been smoothed out so as to provide exact comparisons.)

If accounts were made up each year to:

A December 31			B April 30			C March 31		
		£			£			£
Profits:	8 months to		Year to			11 months to		
	31.12.56	800		30.4.57	1,520		31.3.57	1,340
	Year to			30.4.58	2,440		Year to	
	31.12.57	2,160					31.3.58	2,370
	31.12.58	3,000					31.3.59	3,150
The assessments would be (calculations to nearest month):								
1956/57	$£800 + 3/12 \times £2,160$			$11/12 \times £1,520$	1,393			1,340
1957/58	$£800 + 4/12 \times £2,160$					$£1,340 + 1/12 \times £2,370$		
1958/59		1,520			1,520			1,537
1959/60		2,160*			1,520			2,370
		3,000			2,440			3,150
		<u>8,020</u>			<u>6,873</u>			<u>8,397</u>

* This would usually be the assessment, though the Revenue could choose any twelve months in 1957/58.

Illustration (2)

In the above business, the profits continued at the rate of £300 a month in 1959, then £150 a month until December 31, 1960, when the proprietor died.

A December 31			B April 30			C March 31		
		£			£			£
Profits:	Year to		Year to			Year to		
	31.12.59	3,600		30.4.59	3,200		31.3.60	3,150
	31.12.60	1,800		30.4.60	3,000		9 months to	
							31.12.60	1,350
				8 months to				
				31.12.60	1,200			
Assessment 1960/61:								
	$9/12 \times £1,800$	1,350		$1/12 \times £3,000$				1,350
				$+ £1,200 =$	1,450			
"Actual" profits:								
1959/60								
	$9/12 \times £3,600 +$			$1/12 \times £3,200 +$				
	$3/12 \times £1,800$	3,150		$11/12 \times £3,000$	3,017			3,150
Increase of:		150			577			nil
							£	
							Total profits over the lifetime of the business	11,360
							Total assessments over the lifetime of the business	A .. 9,520
								B .. 8,900
								C .. 9,747

Illustration (3)

A., who has been in business for some years, gradually expanding, had an abnormal profit in the year to April 30, 1958.

Recent results (profits) were:	£
Year to April 30, 1956	7,200
1957	8,400
1958	18,600

A. took in a partner B. on April 30, 1958. When in April, 1959, it was seen that profits were back to the normal rate of expansion, notice was given to depart from the cessation basis of assessment. The profits to April 30, 1959, were £10,800 and on that date B. retired from the partnership. The profits to April 30, 1960, turned out to be £12,000. No claim was made on B.'s retirement.



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Assessments:

Normal basis (i.e., assessment as cessation and new business on B.'s admission)

On A. 1957/58	£7,200
increased to:	
1/12 × £8,400 + 11/12 × £18,600 =	£17,750
On A. 1958/59 1/12 × £18,600	1,550
On A. & B. 1958/59 11/12 × £10,800	9,900

After claim on B.'s admission

On A. 1957/58	£7,200
1958/59	8,400
Split: A. 1/12	700
A. & B. 11/12 ..	7,700
On A. & B. 1959/60 ..	18,600

Revision on B.'s retirement:

Normal basis:	£
1959/60 On A. and B. 1/12 × £10,800 ..	900
On A. 11/12 × £12,000 ..	11,000

1958/59 is unchanged, being already on "actual."

Where claim made on B.'s admission (no claim made on his retirement):

1959/60 On A. & B. 1/12 × £10,800 = £900.

1958/59 Increased to actual figures as on the normal basis—A., £1,550; A. & B., £9,900.

Summary:

		Normal basis			Claim on B.'s admission but not on retirement		
		Total	A.	A. & B.	Total	A.	A. & B.
		£	£	£	£	£	£
1957/58 ..		17,750	17,750	—	7,200	7,200	—
1958/59 ..		11,450	1,550	9,900	11,450	1,550	9,900
1959/60 ..		11,900	11,000	900	11,900	11,000	900

Illustration (4)

	£
Profits (year to April 30, 1956)	10,000
Assessment 1957/58	10,000
Less Capital allowances ..	3,000
	<u>7,000</u>

So long as Tax Reserve Certificates have been brought year by year, so as to provide for all income tax and surtax due up to and including 1956/57, the purchase of Certificates which with the interest on them meet the income tax due in 1958 and the surtax due in 1959 on the 1957/58 assessment ensures that the proprietor can safely use the balance of the profits to April 30, 1956, for other purposes.

This "date question" is always with us and only a few aspects have been mentioned, but it is hoped that our brief discussion will stimulate interest and research.

Restored Investment Allowances

Industrial Buildings

On capital expenditure on an industrial building incurred after February 17, 1956, but before April 8, 1959, no investment allowance is available, except in respect of adding insulation against loss of heat or if the expenditure is under a contract entered into not later than February 17, 1956. Initial allowances, however, were available at 10 per cent. on expenditure prior to April 15, 1958, after which they are increased to 15 per cent. The Finance Bill proposes that investment allowances be restored for expenditure after April 7, 1959, at 10 per cent. and the initial allowance be continued, but at the reduced rate of 5 per cent.

The incentive is an exceedingly long-term one: the relief will not be noticed until over forty years from the date of the expenditure.

Illustration

A company, making up accounts to December 31, incurred an expenditure of £20,000 on a new factory wing on April 30, 1959. The relief will be given thus, starting in 1960/61:

Actual Allowances		Allowances had the expenditure been on March 31, 1959	
First year:	£	First year:	£
Investment allowance 10 per cent.	2,000	Initial allowance 15 per cent.	3,000
Initial allowance 5 per cent. ..	1,000	Annual allowance 2 per cent.	400
Annual allowance 2 per cent. ..	400		
	<u>3,400</u>		<u>3,400</u>
Each subsequent year for 46½ years:		Each subsequent year for 41½ years:	
Annual allowance 2 per cent.	400	Annual allowance 2 per cent.	400
Total allowances	<u>£22,000</u>	Total allowances	<u>£20,000</u>

Plant and Machinery

The reduction in the initial allowance from 30 per cent. to 10 per cent. with an investment allowance of 20 per cent. for plant and machinery makes

no difference to the total allowance in the first year but increases the subsequent annual allowances and increases any balancing allowance or decreases a balancing charge. The

Illustration

The above company bought new plant on May 31, 1959, which was in use at the end of its accounting period on December 31, 1959. Basic rate of wear and tear 10 per cent.; plant sold in 1964 for £8,000.

	Actual Allowances		Allowances had the purchase been on March 31, 1959		Difference in total allowed in year	
	£	£	£	£	£	£
Cost 1960/61:		20,000		20,000		
Investment allowance 20 per cent.	4,000		-			
Initial Allowance 10 per cent.	2,000		30 per cent.	6,000		
Annual allowance 12½ per cent.	2,500	4,500	12½ per cent.	2,500	8,500	Nil
	8,500	15,500			11,500	
1961/62:						
Annual allowance		1,938		1,438	500	
		13,562		10,062		
1962/63:						
Annual allowance		1,695		1,258	437	
		11,867		8,804		
1963/64:						
Annual allowance		1,484		1,101	383	
		10,383		7,703		
1964/65:						
Annual allowance		1,298		963	335	
		9,085		6,740	1,655	
Proceeds		8,000		8,000		
1965/66:						
Balancing allowance		1,085	Balancing charge	1,260	2,345	
Total allowances		£16,000		£12,000	£4,000	

benefit of the investment allowance is therefore spread over the lifetime of the plant and machinery.

The benefit of the investment allowance is again not gained until after some delay: of its £4,000, no less than £1,088 + £1,260 = £2,348 is not felt until the plant is sold.

General

The coming and going of investment allowances is not exactly an aid to planning. But new industrial buildings and plant replacement both need long term planning.

It is wise to plan on the assumption that the investment allowance will be withdrawn before the expenditure is due to be met. If it is then still in force, so much the better. In any event, it would be a greater incentive if the tax saving came immediately at the time that the money was most needed. As it is, the allowance is really better looked upon as an aid to replacement cost.

Now that the investment allowances are restored, we plan to publish in an early issue of ACCOUNTANCY a general article recapitulating their operation and the provisions governing them.

Taxation Notes

The Finance Bill

Up to the Whitsun recess, despite many pleas from members, no amendments of any substance had been made to the Clauses in the Finance Bill affecting direct taxation. As the Financial Secretary to the Treasury pointed out, when opposing an amendment, "I could not help calling to mind the illiterate film star who thought the letters Y.E.S. spelt 'Mink' and I could not help thinking there is very little mink in the life of a Financial Secretary. He spends most of the time saying 'No.' He says 'No'

to his colleagues and, unfortunately, 'No' to the Committee, however agreeably amendments are moved."

Estate Duty—Gifts of Assurance Policies

Giving effect to the promise made last year by the Chancellor of the Exchequer (implemented in the meantime by a concession), the Finance Bill provides that, speaking broadly, gifts of policies of life assurance are to be treated like other property (see ACCOUNTANCY for April, 1959, page 198). Whether the policy provides for

the payment of a lump sum or an annuity or other benefit, it will not be liable for estate duty if given away more than five years before death and if the deceased paid no premiums in the five years. If premiums were so paid, duty will be payable on the proportionate part that the premiums paid in the five years bear to the aggregate premiums paid on the policy.

Post-War Credits

By the Income Tax (Repayment of Post-War Credits) Act, 1959, as from June 1, 1959, the qualification and ages for repayment of the credits are to be fixed by the Treasury.

On credits not repaid before November 1, 1959, compound interest will accrue at 2½ per cent.

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from October 1, 1959, with yearly rests (fractions of a pound in credits will be ignored), to the end of the month preceding repayment (but not for more than two months after the month in which repayment could have been claimed). The interest is exempted from income tax.

The post-war credits due to building societies are to be repaid at times to be prescribed by the Treasury.

The Treasury are empowered to make regulations for carrying the Act into effect by Statutory Instrument. The first such regulations are contained in the Post-War Credits (Income Tax) Regulations, 1959. These provide for repayments to:

- (a) A man aged 63 or over, a woman aged 58 or over;
- (b) Persons who have been receiving National Assistance continuously for twelve weeks ending after April 7, 1959.
- (c) Persons named in a statutory register of blind persons.
- (d) Persons receiving constant attendance allowance or unemployment supplement under the War Pensions Instruments or the Industrial Diseases (Benefit) Acts; or who would have been receiving them but for being a hospital in-patient.

The terms of the Act, annotated with cross-references to the Income Tax Acts and to Konstam's *Law of Income Tax*, are brought to subscribers to the Current Law Income Tax Acts Service (*Clitas*), Release 53, dated May 6, 1959.

Marginal Old Age Relief

If the whole income of a man of sixty-five years of age or over is unearned, and there are no allowances other than the personal allowance, marginal relief for 1959/60 will be beneficial until the total income exceeds £1,224.

Proof

Without old age relief:

	£	s.	d.
Total income	1,224	0	0
Personal allowance	140	0	0
	1,084	0	0
First £360	84	0	0
£724 at 7/9	280	11	0
	364	11	0

With old age relief:	£	
Notional income	800	0 0
Old age relief—2/9ths 178		
Personal allowance 140		
	318	0 0
	482	0 0
First £360	84	0 0
£122 at 7/9	47	5 6
	131	5 6
11/20ths of £424	233	4 0
	364	9 6

The margin is the same for a married man.

If there is earned income or other allowances, each case must be worked out on its merits.

The Liberals on Taxation

In a booklet *Ownership for All* the Liberal Party has put forward a number of proposals for encouraging private ownership, including co-ownership and employee-shareholding. The principles are (a) to increase the status and sense of personal significance and responsibility of all and everyone in industry; and (b) to spread more widely the wealth and power industry creates.

The abolition in the Finance Act of 1958 of the higher rate of profits tax on distributed profits is welcomed as removing one tax obstacle to employee-shareholding.

To remove the remaining major obstacles it is proposed that:

(1) Ad valorem stamp duty on share transfers should be abolished.

(2) Of the contribution made by a company to any scheme of co-ownership 110 per cent. should be allowed in calculating its liability.

(3) A new form of savings account should be devised in which could be deposited shares acquired under a co-ownership scheme, money acquired under a profit sharing or bonus scheme and voluntary savings up to £100 per annum. No tax would be paid until the funds were withdrawn from the account. Shares could be bought from funds in the account and would thus be purchased out of gross income—not, as at present, out of net income.

Before such a scheme could be adopted a number of administrative difficulties would have to be solved. Presumably the savers would have to bear the expenses of management of the account, and some fair basis of division would have to be determined. There would have to be discovered some cheap method of dealing with the repayment claims which would have to be made (as tax would have been deducted from the income out of which the voluntary savings were being made). It is apparently proposed to use savings to purchase houses for employees, who would repay the money over a relatively long period: difficulties might arise if at any time many employees wished to withdraw money.

(4) Estate duty should be abolished and in its place a legacy duty should be levied on legatees on the value of the bequests received. To encourage testators to spread their bequests widely the rate of legacy duty would be steeply graduated. Reliefs would encourage people to leave money to charities and other voluntary associations. For duty purposes the value of gifts given within five years of the death of the donor would decrease as the time between the date of the gift and the date of death increased.

(5) Settlements and trusts would be exempt from legacy duties but would be liable to a gifts tax on the capital of the trust when distributed.

(6) Schedule A tax and derating should be abolished.

(7) The first £500 of unearned income should be treated as earned income.

Finally the booklet contains proposals that the existing income tax allowances for wives should be abolished. Instead the husband's and wife's income would be aggregated, the total divided by two and each part taxed as if it were the income of a single person. The starting point for payment of tax would be lowered and tax rates adjusted to produce the total revenue needed. The booklet points out that single persons would pay more tax and married persons less than at the present time. This proposal seems to emanate from the thought that single persons are mostly young people who save little. Op-

ponents to the proposal will no doubt point out that the country contains a considerable number of widows and widowers who would bear more tax on incomes which are already insufficient to maintain their standard of living and that many young people who now save considerable sums to enable them to get married would save less because of the heavier taxation they would bear.

Home Saving

There are few more irritating aspects of "directors' benefits" than the attitude of the Inland Revenue towards what is known as "home saving" in computing allowable expenses under Rule 7 of Schedule E. The Revenue claims that a taxpayer may only be allowed the excess by which the amount he has been obliged to spend in the performance of his duties exceeds what he would have spent otherwise. It is noteworthy that the Royal Commission said:

As a practical issue, the question seems to be confined to expenses incurred while a man is travelling on duty. He is absent from his home and his normal place of employment for, say, some days: while absent, he spends money not only on travel but also on food and accommodation. In the ordinary sense of the word, his expenses are represented by his gross outlay on these things.

The Revenue, however, contends that there must be set against such expenditure a notional amount to represent what he would have spent on living and accommodation if his duty had not required him to be absent; had the taxpayer not been absent, he would have had to live and sleep somewhere and the cost of doing these things in themselves is not an expense of the employment. It is strange that the Revenue tends to dismiss *dicta* when quoted by the taxpayer but does not hesitate to seize on certain remarks of Rowlatt, J., in the case of *Nolder v. Walters* (1930, 15 T.C. 380) although the decision in that case does not give any support to the Revenue contention. Rowlatt, J., said:

It has been agreed that when you get a travelling office so that travelling

expenses are allowed, those travelling expenses do include the extra expense of living which is put upon a man by having to stay in hotels and inns rather than stay at home. Of course, his board and lodging in a sense, eating and sleeping, are the necessities of a human being, whether he has an office or whether he has not, and therefore, of course, the cost of his food and lodging is not wholly and exclusively laid out in the performance of his duties but the extra part of it is. The extra expense of it is and that is the quite fair way in which the Revenue look at it. He would be entitled to charge something for the extra expense which he is put to by having to go and spend all the day and often the night away from home because that is part of his duty; and then it comes to the question really of quantum.

The majority report of the Royal Commission recommended the abandonment of the attempt of the Revenue to take so-called "home savings" into account. The Commission considered that the trouble did not lie so much in the theory as in the great difficulty of giving it any practical application, pointing out that Rule 7 assumes that expenses are represented by actual expenditure, not by a computation that offsets expenditure by that hypothetically saved. (How often the Revenue dismisses arguments as hypothetical when used against it!) The Commission saw no means by which such savings could be satisfactorily determined, except in some extreme cases. While a man's absence would effect some savings in the house, there were likely also to be additional expenses involved, to which the Revenue refused to allow recognition—an attitude which seemed to the Commission to be neither fair nor sensible. The niggling enquiries into personal and domestic details were not justified either by the principle or by the tax at stake, and the application of the principle was a source of irritation and some ill-will.

No attention appears to have been paid to these views, since the bogey-hunt not only continues but appears to have been intensified. The minority report of the Royal Commission has found favour, in the

passage in which it is stated that the Revenue, as a normal practice, allows the apportionment of particular items of expense which were only partly incurred for business purposes between a deductible business-part and a non-deductible non-business-part of such expenditure; "and if such apportionment is permitted as a matter of administrative concession, it logically follows that deductible expenses should be confined to the additional expenditure incurred by a person in the performance of his duties. No doubt there are cases in which the so-called "home saving" is negligible but there are other cases in which it may be far from negligible and we do not feel that it would be equitable if the attempt to confine allowances to the additional expenditure incurred by the taxpayer were generally abandoned." It will be noted that these dissenting members of the Royal Commission ignored the point about additional expenditure that might also be incurred at home.

Experience shows that the ideas of the amount of home-saving vary considerably in different offices of the Revenue; some suggestions indicate that taxpayers generally are considered to have a high rate of home expenditure. What chiefly disturbs the professional adviser is the disproportionate time that has to be devoted to arguments about trivial amounts. If home-saving has to be taken into account, it is time that this situation was made clear by legislation, so that everyone would know where he stood.

Case Commentary on the Income Tax Acts

A fourth supplement (1958), now issued by Her Majesty's Stationery Office (15s. net), contains new and reprinted loose-leaves on many matters and incorporates the necessary additions and amendments resulting from further cases decided up to and including volume 37 of the Reports of Tax Cases and from other cases not included in those Reports.

Harrison's Index to Tax Cases

A new cumulative supplement (1958) to the sixth edition of *Harrison*, just issued by Her Majesty's Stationery Office (£1 net), takes the place of previous supplements. The price with binder is £1 5s. 6d.

Income Taxes Outside the Commonwealth

The third supplement, dated December, 1958, has been issued by Her Majesty's Stationery Office (one guinea net). It contains a list of

amendments to be made in manuscript, loose-leaves of revised and additional pages for material already published, and the third instalment of Part III, including notes on Norway and Sweden.

Recent Tax Cases

By W. B. COWCHER, O.B.E., B.LITT.

Income Tax

Foreign securities and possessions—Foreign trusts—Payments by trustees to respondent's account with bank abroad—Respondent domiciled abroad but resident in England—Cheques drawn by respondent in foreign currency on bank abroad in favour of U.K. bankers—Sale of cheques to U.K. banks for sterling—Sale by U.K. bankers to Bank of England of currency equivalent to cheques—Credit to respondent's account with U.K. bank of sterling—Transmission of cheques by U.K. banks to bank abroad on which cheques drawn—Currency transferred to dollar account of Bank of England with Federal Reserve Bank—Whether transactions amounted to remittances from abroad—Income Tax Act, 1952, Schedule D, Cases IV and V.

The case of *Thomson v. Moyse* (C.A. 1949, T.R. 61) was noted in our issue of January last (page 29). It has now been held by Special Commissioners, Wynn-Parry, J., and the Court of Appeal—the latter by a majority, Pearce, L.J., dissenting—that a citizen of the United States of America resident in England but domiciled abroad can escape liability to income tax under Cases IV and V in respect of American income factually enjoyed in this country by the simple device of drawing cheques in currency on his American bank account and selling them for sterling to English bankers. If the method is finally held to be successful it revealed, as Pearce, L.J., observed, "an obvious and illogical loophole" in the fiscal net.

As the case is clearly destined for the House of Lords, a further extended note of it as a whole would seem to be uncalled for. Nevertheless, although in the Court of Appeal Jenkins and Romer, L.JJ., upheld the decision of Wynn-Parry, J., the most striking feature of the proceedings was the dissenting judg-

ment of Pearce, L.J. It was characterised by Jenkins, L.J., without exaggeration, as a "powerful dissension," although, in the present writer's opinion, but for an unfortunate mistake, referred to hereafter, it might well have been even more powerful. The main foundation of the judgment of Pearce, L.J., was historical. Turning to Rule 2 of Case V of Schedule D which deals with foreign possessions, his Lordship said that the tax had to be computed on the full amount of the actual sums annually received in the United Kingdom from:

- (a) remittances payable in the United Kingdom, or
- (b) from property imported, or
- (c) from money or value arising from property not imported, or
- (d) from money or value so received on credit or on account in respect of any such remittances, property, money or value brought or to be brought into the United Kingdom.

(The letters in brackets were inserted by his Lordship in his judgment for convenience.)

He pointed out that the charge in respect of foreign possessions originated in the 17th Case of Pitt's Income Tax Act of 1799 whilst that in respect of foreign securities was imposed by the 18th Case of that Act, and that in the Act of 1803—the first successful Income Tax Act, and the foundation of the present system—they became Cases V and IV respectively. In the 1803 Act, the heads (a) (b) and (c) appear substantially as above but head (d) is absent; and, with regard to this, Pearce, L.J., said:

The Income Tax Act, 1842—which re-imposed the income tax—made no alterations material to the argument before us, save that in that Act in Case V there appear for the first time the concluding words, (namely) (d),

and this is where his Lordship unfortunately went wrong. The Income Tax

Act of 1842 was in fact substantially only a reprint of the Income Tax Act, 1806, an Act not mentioned by his Lordship, and the wording of (d) in the 1842 Act was copied verbatim from it.

The importance of this fact is undeniable. In substance, his Lordship's judgment was based upon his reading of the history of Rule 2 of Case V. His analysis of this Rule was set out under five heads, and his third proposition was that, having dealt with (a) and (b):

it would be natural to go on to deal with the case of the person who did not have the proceeds from the sale of his crop of sugar in the plantations remitted to him here and who did not import his crop of sugar and sell it here, but who sold it in this country to some purchaser who would dispose of it abroad or import it at some later date. He would thus be receiving income from property not imported. Receipt of the money in this country, not its importation into it, would be the test of (c). The tax would then have a coherent framework instead of having an obvious and illogical loophole.

Whilst (a), (b) and (c) are found in the Act of 1803, the Act of 1806 can be characterised as an improved Income Tax Act in which the successful features of the 1803 Act were extended, and defects revealed in its operation dealt with. In this connection, it will be observed that (d) deals with the sources stated under (a), (b) and (c) but makes it clear that the charge is to extend to cases of "money or value so received on credit or on account"—words which clearly suggest that the wording of (a), (b) and (c) in the 1803 Act had proved ineffective to catch cases where these methods were adopted. It must be borne in mind that 1806 was the middle point of the Napoleonic wars, and that the losses at sea each year of ships and cargo were enormous, particularly from the depredations of the French privateers. In such circumstances, every method whereby such losses could be avoided without the owner of produce abroad being "kept out of his money" would be sought for, and, although the banking method adopted in the case under

review probably did not exist, there were apparently other methods then known to the commercial world which would not be substantially different from it in their legal character but would be equally effective. As a matter of fact, if it were considered worth while, it should be possible by research to learn the reason why the addition of (d) to (a), (b) and (c) in the Act of 1806 was found to be necessary.

Estate Duty

Immovable property abroad—Deceased tenant for life under will of testator—Testator domiciled in England—Declaration in will of wish and intention that law of England should govern—Property included in residuary trusts for sale and conversion—Power to postpone sale—Property unsold—Whether property subject to estate duty on death of tenant for life—Procedure—Statement of points of law relied on to be agreed between parties—Finance Act, 1894, Section 2 (2)—Settled Land Act, 1925, Section 73—Administration of Justice (Miscellaneous Provisions) Act, 1933, Section 3—Finance Act, 1936, Section 24—Finance Act, 1949, Section 28.

Philipson-Stow (No. 2) v. C.I.R. (Ch. 1959, T.R. 43) arose out of provisions in the will of Sir Frederick Philipson-Stow, who died in 1908 resident and domiciled in England. The case related to a foreign immovable, an undivided share in a farm in the Union of South Africa, the question being whether duty was payable on the death of Sir Frederick's eldest son, Sir Elliot Philipson Philipson-Stow, a tenant for life under the residual trusts of the will, who had died on September 23, 1954. The testator had declared in his will that he had an English domicile and that it was his wish and intention that the will and any codicil thereto should be considered and operated according to English law—a declaration which was to play a vital part in the determination of the case. He bequeathed all his real and personal estate wherever situate to his trustees for sale and conversion but with the fullest powers and discretion to postpone such sale or conversion. The ultimate residue of the estate was to be held by the trustees, who were directed to pay the income thereof to his wife during her lifetime and, thereafter, to hold the moneys and investments as if they were capital moneys arising under the Settled Land Acts from his settled

estates. The estates referred to were in England, and he had devised them to the use of his wife during her life and then to his sons in tail male. The trustees had retained the South African farm, paying the income to the testator's widow during her life and then, after her death, in 1930, to Sir Elliot during his life, the latter being succeeded by his son, the second Sir Frederick.

Under Section 2 (2) of the Finance Act, 1894, liability to estate duty on foreign immovables was restricted to cases where there was liability to legacy or succession duty and, as the result of a Court decision, it had been held that but for the restriction such property would have been chargeable upon the same footing as British property. Legacy and succession duty had been abolished by the Finance Act, 1949, and by Section 28 (2) of the same Act property situate out of Great Britain was excluded from liability if it was shown that the "proper law" regulating the devolution of the property or the disposition by which it passed was not the law of England and if, in addition, one at least of four other stated conditions was satisfied. The sole issue in the case was what was the "proper law." For the trustees it was contended that the "proper law" was the *lex situs*, the law of the country in which the farm was situate; but Upjohn, J., in a careful analysis of the position, held that it was a question of the construction of the will in the light of the surrounding circumstances, and he did not accept that the "proper law" must necessarily be the *lex situs*. It was not true of contracts and he saw no reason why a different rule should apply to testamentary dispositions. He found the decisive factor in the case to be the blending of the whole of the residue of Sir Frederick's estate, including the South African property, into one mass to be held as part of his English settled estates and, on this, he held that the land in question was to be treated for estate duty as part of the property passing on the death of Sir Elliot Philipson Philipson-Stow.

At the close of his judgment, his Lordship drew attention to the fact that counsel for the trustees had, of necessity, to waste a large part of his time in his opening speech dealing with points of law raised by the Revenue in protracted correspondence but which had not been pursued before him. It was, he said, desirable that the parties should agree before the Court hearing as to the points of law they intended to rely on and that an agreed statement should be put before the Court.

Stamp Duty

Deed of discharge and release—Mortgage debentures and floating charges secured on properties and assets of company—Action by first debenture holders and appointment of receiver—Scheme of arrangement—Formation of new company and transfer to it of assets of old company—Deed of discharge whereby assets of old company released from charges thereon in respect of principal and interest—Substitution therefor of charges on shares of new company—Whether ad valorem duty payable—Stamp Act, 1891, Sections 12, 13, Schedule I—Revenue Act, 1903, Section 7.

The question in **E. C. (Holdings) Ltd. v. C.I.R.** (Ch., 1959, T.R. 81), was whether the deed of discharge and release referred to in the heading to this note was only subject to the ordinary 10s. deed duty or to *ad valorem* duty at 1s. per £100 on £1,425,601, amounting to £712 17s., as being within the Stamp Act, 1891, Schedule I, under sub-head (5) of Mortgage, Bond, Debenture, Covenant, etc., which includes a:

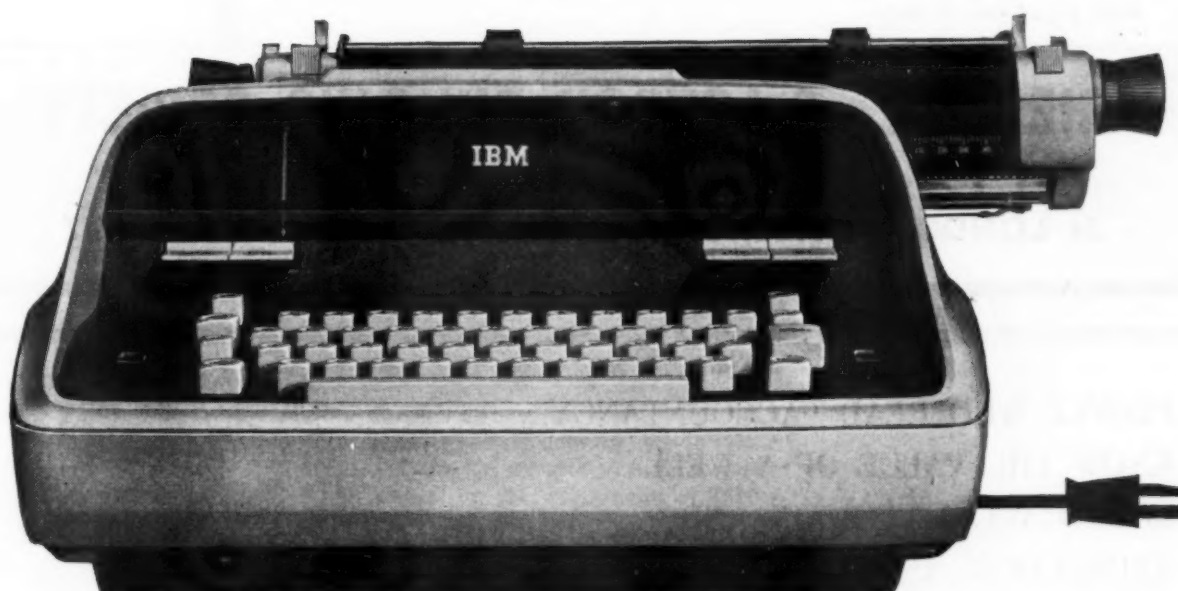
Reconveyance, release, discharge, surrender, re-surrender, warrant to vacate, or renunciation of any such security as aforesaid, or of the benefit thereof, or of the money thereby secured.

The Commissioners of Inland Revenue had assessed the duty payable on the footing that sub-head (5) applied; and the appellants having, as required by Section 13 of the 1891 Act, paid the duty assessed, had required the Commissioners to state a case for the opinion of the High Court. On its coming before Roxburgh, J., whilst his Lordship found that he had no option but to decide in favour of the Crown, he was strongly critical of the appeal provisions of the Act and even more so of the tax itself. Referring to Section 13, which contains the appeal provisions, he said that he made no "shadow of a suggestion" that the C.I.R. had in any way failed to carry out the provisions: any blame, he added, attached not to them but to Parliament. They had set out in their case the appellant's contentions but, there being nothing in the Act requiring them to do so, did not think fit to set out their own, with the result that the appellant came to the Court "without the slightest idea of what the Crown's case was going to be." What was, he said, even more curious was that, although duty had to be paid as assessed as a preliminary condition of an appeal, in the event of its succeeding, as Upjohn, J., had already pointed out in a recent case, there was no

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provision for payment of interest, "a singularly unjust arrangement," for which, again, he blamed Parliament and not the C.I.R.

Turning to the charge to duty set out above, under which the assessment had been made, he pointed out that under "mortgage, bond, etc.," sub-head (2) in the Act had imposed the same rate of *ad valorem* duty on any instrument:

Being a collateral, or auxiliary, or additional, or substituted security (other than an equitable mortgage), or by way of further assurance, for the above-mentioned purpose where the principal or primary security is duly stamped,

but that, by Section 7 of the Revenue Act, 1903, the duty payable in respect of instruments within sub-head (2) was not to exceed ten shillings. Nobody, he said, had apparently looked to see whether there were other injustices in the bundle of provisions and, in consequence of the wording of sub-head (5):

the duty payable on a release does not in any way depend upon the value of the security, but upon the total sum secured by the principal mortgage. Anything more contrary to reason, common sense or natural justice I cannot imagine.

Whilst *Hansard* may throw light upon the question why, in 1903, instruments within sub-head (2) were relieved of *ad valorem* duty whilst those in sub-head (5) were left untouched, the student who endeavours to find in the Schedule to the Act of 1891 any logical and coherent principle of taxation will find his quest singularly barren. The first general stamp tax was imposed in England in 1694 and it has been stated that at the close of the Napoleonic wars in 1815:

Every species of written or printed document necessary for carrying on the business of mankind had now been drawn within the grasp of the stamp laws.

but, although there is now general agreement that transactions similar in their nature should be treated similarly, there is no known principle whereby to gauge what should be the rate of tax, except that it must have regard to "what the traffic will bear." At the close of his judgment, Roxburgh, J., said that in a like situation he would write to his M.P., sound advice which, as he said, would cost nothing to implement. He might have added with truth that in such cases "it is the squeaking axle which gets the grease"; and although in his judgment he was at pains to absolve the C.I.R. from all blame for the iniquities he found, his remarks to this effect may seem a trifle lacking in sophistication.

Tax Cases—Advance Notes

COURT OF APPEAL (Lord Evershed, M.R., Ormerod and Harman, L.J.J.).

C.I.R. v. Hinchy. May 11, 1959.

Lord Evershed, M.R., gave the reserved judgment of the Court in this appeal by the Revenue against the judgment of Diplock, J. (See ACCOUNTANCY for January, 1959, pages 21-2.) Diplock, J., had held that only the fixed penalty of £20 was recoverable, not that fixed penalty plus three times the total tax for the relevant year, as claimed by the Revenue. The Court of Appeal held that the penalty exigible under Section 25 (3) of the Income Tax Act, 1952, was treble the tax on the income omitted from the taxpayer's return plus the £20. Leave for the Crown to appeal to the House of Lords was granted.

QUEEN'S BENCH DIVISION (DONOVAN, J.).
Collico Dealings Ltd. v. C.I.R., Luchor Dealings Ltd. v. C.I.R. May 6, 1959.

The plaintiff companies, which were resident only in the Republic of Ireland, claimed repayment of tax under paragraph 4 (1) of Part III of the Eighteenth Schedule of the Income Tax Act, 1952, in respect of dividends paid to them by English companies. The claims were refused by the Commissioners of Inland Revenue on the ground that they were barred by the anti-dividend-stripping provisions of Section 4 (2) of the Finance (No. 2) Act, 1955. Under paragraph 4 (2) of Part III of the Eighteenth Schedule the companies appealed to the Special Commissioners, who allowed the claim and added "We accordingly make an order for repayment . . ." of the tax involved.

The Commissioners of Inland Revenue required a Case to be stated for the opinion of the High Court. Pending the hearing of the appeal by the High Court, the plaintiff companies started proceedings against the Revenue, claiming repayment of the tax in dispute.

His Lordship held that the companies were not entitled to repayment at the present stage and gave judgment for the defendants.

CHANCERY DIVISION (Upjohn, J.).
Pierson v. Belcher (H.M.I.T.). May 12, 1959.

The appellant was assessed under Schedule D, in respect of commissions

for 1944/45 to 1950/51 and as a dealer in motor vehicles for 1944/45 to 1950/51, and under Schedule E in respect of emoluments for 1950/51 to 1956/57. The assessments were in estimated amounts.

In 1949 the appellant had been asked: (a) whether any transactions had been omitted from or incorrectly recorded in the books of any of his companies or businesses; (b) whether the accounts sent in to the Revenue by him from time to time were correct and complete; and (c) whether the annual taxation returns of income signed by him from time to time were complete. No reply had been received to these questions.

The General Commissioners dismissed appeals by the appellant against the assessments.

Upjohn, J., held that the appellant had not discharged the burden of proof on him to show the assessments were excessive, and dismissed his appeal.

Notices

The Accountants' Christian Fellowship will hold its monthly meeting for Bible reading and prayer at 12.30 p.m. on Monday, July 6, in the vestry at St. Mary Woolnoth Church, King William Street, London, E.C.4. The scripture for reading and thought will be I Thessalonians, Chapter 3, verses 9 to 13 (Paul's thanksgiving and prayer for the Christians in Thessalonika).

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The Month in the City

Equity Boom Continues

Last month brought a number of developments almost all of which have been read as favouring investment in Ordinary shares rather than in the Funds or other fixed interest securities. To appreciate the position, it is necessary to understand that there is still a division of opinion about whether the Government's overall policy is inflationary or not and that there are those who believe that a much more expansionist line is requisite if the country is to prosper. Those who are inclined to suppose that there is danger of inflation are encouraged to hope that all may yet be well by the minor relaxation of exchange control, with which the month started, and the continuing strength of sterling *vis-à-vis* the dollar and by the material lifting of import controls on dollar goods at the close of the period. Those who are convinced that inflation is coming need no encouragement to buy equities, but have received it in the shape of a series of very satisfactory company reports and the Labour losses in the municipal elections. These last factors sufficed to offset almost entirely the blow which the market received in the second week of the month from the heavy selling and sharp fall in prices on Wall Street.

There was soon a material recovery in that centre from the reverse and despite a rise in short-term rates there equity yields are such as to encourage buying of British Ordinary shares. At the same time the rate of recovery in American industry coupled with the development of an adverse trade balance encourages a belief in inflation and lends colour to the argument that the time when the dollar price of gold will be written up cannot be long delayed. This is largely responsible for the sharp rise in gold mining shares in London and for the shift into equities, since a write-up would, it is believed, spell outright inflation in the U.S.A. and, probably, a similar development here. These factors, coupled with the belief that the general election, when it comes, may produce a Conservative victory, must be held responsible for a rise of over 5 per cent. in the equity index and a fall from 0.32 to 0.11 in the margin between the yield on Ordinary shares and that on Old

Consols. This narrowing has occurred at a time when dividends have, on the whole, been higher than a year ago. Changes in the indices of the *Financial Times* between April 30 and May 29 were: Government securities and fixed interest down from 86.10 to 84.78, and from 93.79 to 92.88, respectively; industrial Ordinary and gold mining shares up from 228.0 to 240.1 and from 86.7 to 94.2 respectively.

Takeover Bids

One factor which has helped to hoist equity prices has been the number of offers to take over businesses and, particularly, the re-emergence of Mr. Clore, after a lapse of some two years, with an offer for Watney. This was the latest of the offers but it was responsible for a considerable rise in brewery shares. The Board of Watney have rejected the offer but their statement to shareholders was not ready during last month. An earlier offer was the bid, equivalent to 78s. 6d., by *News of the World* for the Ordinary capital of Newnes. This was rejected by the Board, who immediately promised a higher dividend which made the offer unattractive. The *News of the World* then lifted their offer but were shortly outbid by Odhams with an offer of two of their own shares and 45s. in cash for each Newnes share. The *News of the World* made no further bid and the Newnes Board have recommended acceptance of the Odhams offer. It seems probable that this deal will go through and, if it does, we shall have two not very dissimilar groups of periodicals under one control. In particular, both are strong on publications for women, almost all of which seem to flourish in all conditions so far experienced. The other major development in this field is the failure of the talks between Standard and Rover to reach agreement. Whatever this means for Rover, it will mean that Standard will have nothing with which to replace the side of their business which is to pass shortly to Massey-Fergusson. One may perhaps look to see a new series of conversations within the motor trade in the not distant future.

New Issues

The month produced a considerable

flow of demands on new savings, including a number of placings, but few were very large. Official figures of new issues for the first quarter of the year show a total—excluding Government borrowing—of £144 million, which is the largest since 1955. But the rise as against recent years has been concentrated upon those industries—distribution, finance and property-owning, with food, drink and tobacco—which have suffered most from the restrictions of C.I.C. The month produced the offer of new capital by the National Provincial Bank of which 96 per cent. was taken by those entitled to it in the first place. Other offers of interest were one of 4 million Ordinary shares of Charterhouse Investment at 28s., an offer by a new unit trust, A.E.G. (Atomic, Electronic & General), of a million units at 12s. 8d. and a new offer by the Bank & Insurance group of a similar number of units at 14s. 3d. Finally, the Union of South Africa offered £5 million 5½ per cent. stock 1974/76 at 97 in conversion of £4 million of 3½ per cent. stock and for cash. In a weak market this proved unpopular and underwriters had to take up 78 per cent. of their commitments. While the flow of domestic issues is likely to continue, it is evident that they are to suffer some new competition. Four or five leading firms of London stockbrokers, either individually or in groups, have issued documents designed to advertise investments which are available to British investors in Common Market countries. Conditions are favourable for profitable investment in Germany, France, Holland and Belgium.

Capital for C.D.F.C.

While subscriptions to the new offer of shares by the Commonwealth Development Finance Corporation should have been in early last month, the result was not announced until May 28, by which time it was possible to describe it as a great success. The amount to be allotted was not decided in advance and in the event six million "A" shares were taken, on which 2s. is paid up, and five million "B" shares, which are 10s. paid. It is stated that of the latter some were taken by certain subscribers in Commonwealth countries, which presumably means that central banks in the Commonwealth have taken at least token holdings in support of this means of financing Commonwealth development. The immediate cash yield is some £3 million, but the uncalled capital will form the basis for new borrowing which, in turn, it is hoped to fund by a public issue of loan stock in the not distant future.



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Points From Published Accounts

The Accountant Awards

The awards made by *The Accountant* for company reports and accounts have this year gone to *British Oxygen*, in the category of large companies, and to *General Refractories* in the category of smaller companies requiring less complicated accounts. Significantly enough, the well deserved success of both concerns has followed their initial change-over to a more vivid presentation, with a greater variety of accompanying ancillary information. Up to 1956, the British Oxygen accounts, while adequate, made no real attempt to arrest the attention of the reader. For 1957—the accounts issued in March, 1958, and qualifying for the 1959 award—a coloured cover was added, and a ten-year record of sales and capital expenditure progress appended in graph form, together with a ten-year profit record. Having made the plunge, the company has kept up the good work in its 1958 accounts.

Much the same is true of General Refractories. The accounts for 1956 were quite well presented, but they were put well into the shade by those for the following year, carrying a stiff cover, much more colour, and two pages of simplified information showing in pictorial form the growth over the previous six years and the distribution of each £ of income. Surprisingly enough, the pictorial features have been dropped from the 1958 accounts, which otherwise have not been changed in format. Perhaps there are better ways of dispensing information than dividing up each £ of income—stating the proportions in which total income is distributed, for instance—but it is a pity that no variant of these useful features is now used.

Meaningful Photographs

The 1958 accounts of *Pressed Steel* have also been presented in a new format. The layout of the accounts proper is quite orthodox, with comparative figures set in blue type. Two pages of illustrations at each end are used to give some useful facts about the business. A picture of the main offices at Cowley, for instance, is sensibly captioned to show that it comprises some 2½ million

square feet of the total production area of over 4 million and examples are shown of British-manufactured cars which use Pressed Steel bodies. It is refreshing to see photographs used in this way—adding interest to facts which might not otherwise register: publication of photographs for their own sake in company reports is usually to be abhorred.

Maturity in Accounts

A company which is deserving of high commendation among the smaller companies is *Toledo Woodhead Springs*. A transformation has been wrought in the accounts for 1957–58. They now appear in a stiff blue cover and are simply and sensibly laid out for maximum readability. There are no frills: indeed none are required. But there are ample schedules to the balance sheets, adequate explanatory notes (on facing pages—a good point), a concise chairman's statement and a financial record covering the eight years since the company was made public.

Not the least important feature of these accounts is a list of the products the company manufactures, and the services which it provides—all too often overlooked: it is quite important for shareholders to know exactly what their company does. These new-style accounts coincide with Toledo Woodhead's twenty-first birthday, and they confirm that the business has reached maturity in more ways than one.

First-class Building Society Accounts

The accounts of building societies are not noted for brilliant presentation, but *The City of London Building Society* has built up a reputation for individuality and vigorousness that is well reflected in the presentation of its accounts. An innovation in those for 1958 is the publication of an additional schedule of notes giving greater details of invested funds and share and deposit holdings than are generally met with in the movement. In fact it is believed that no other society has gone so far in presenting this kind of information. To know the composition of the investment portfolio, for instance, is an immense advantage

when it comes to assessing the merits of a building society from an investment point of view. All too often, an impressive total of investments in the balance sheet turns out to be far from favourable when analysed. (All the holdings of the City of London are dated, so that there is no question of having to sell at a capital loss at some future date.)

The auditors' certificate appended to the accounts deserves a mention. Its approach is as thorough as that of the accounts themselves. Apart from the usual certification that the mortgage deeds have been inspected, the auditors further certify that they have "obtained from the society's bankers a certificate to the effect that they hold in safe custody the title deeds to the freehold properties and the certificates for the investments belonging to the society, referred to in the foregoing account and statement." If shareholders in the City of London Building Society do not rest easy at night it certainly will not be the fault of the auditors!

The Oncost Element of Stock

R. B. Pullin has changed the basis of calculating the value of stock and work-in-progress in the balance sheet. Hitherto the company has always used an arbitrary rate of factory oncost, but it has now been decided to apply to prime cost the actual rate of factory oncost for the year. The net result of this move is that both the book figure for stock and work-in-progress and the trading profit are shown approximately £43,000 higher than they would have been by the earlier method. Exactly why the change has been made at this juncture is not stated, but it may well have more than ordinary significance; the chairman declares in his statement: "It is becoming increasingly difficult to secure adequate profit margins." While ordinarily it may be prudent to make an arbitrary oncost assessment that errs on the side of conservatism, it may not always be expedient to do so in times of competitive stress. Underestimating trading capabilities by being too conservative can often be quite as harmful, over the long term, as over-estimating them.

Pullin has also enlarged and improved the layout of its accounts. Instead of the figures for the latest and previous years being set in adjacent columns, they have now been set down each side of the page, with text separating them. Red print has been used for comparative figures, and also for some of the main headings. In the result, the accounts look much brighter.

Publications

Palmer's Company Law. Twentieth edition. By Clive M. Schmitthoff, LL.D., and T. P. E. Curry, M.A., Barristers-at-Law. Pp. civ+1229+29. (*Stevens & Sons, Ltd.*: £6 6s. net.)

THE NEW JOINT editors of this major work on company law have completely revised it in the twentieth edition, and have presented it in entirely different form. Twenty-four new chapters have been added (so that the pages of text have expanded from 456 to 828), while other chapters have been rewritten. The enlarged text has been conveniently divided into ten parts and the whole rearranged in more logical sequence.

Since the aim of the book is to deal with the whole of company law, whether found in the Companies Acts or other legislation, in the decisions of the courts or in extra-legal sources, two whole chapters have been allotted to the Prevention of Fraud (Investments) Act, 1958, and the Control of Borrowing and Exchange Control Acts and Regulations, while three chapters (as compared with six pages in the previous edition) are devoted to company taxation and the tax advantages of pension schemes. The new edition also deals fully (for the first time) with the requirements of the London Stock Exchange for the quotation of shares and debentures, and these requirements are also printed in full in one of the ten appendices. Other matters usefully considered are secretarial practice, profit sharing, the recommendations on accounting principles issued by the Institute of Chartered Accountants in England and Wales, the procedure before the Capital Issues Committee (but see the next paragraph) and the Bank of England Notices on Exchange Control Regulations relating to securities. In other words, the aim, as always with *Palmer*, has been to make the work practically useful not only to lawyers and to students of law, but generally to businessmen.

The table of statutes gives in heavy type the pages of the text where the several statutory provisions are discussed in detail and (to meet a criticism of the previous edition) the new edition also gives at the end of most Sections of the Companies Act, 1948 (which is printed as an appendix) the appropriate page references to the text. The law is stated as on October 1, 1958, and

so the new volume contains no reference to the general consent given by the Treasury for the purposes of the Control of Borrowing Order, 1958, with effect from February 5, 1959, which denuded the Capital Issues Committee of most of its functions. It is intended, however, to issue supplements from time to time and, meanwhile, the work will be kept up to date by regular notes in the section on company law in the *Journal of Business Law*.

K.B.E.

Business Budgets and Accounts. By Harold C. Edey, B.COM., A.C.A. Pp. 174. (*Hutchinson & Co. (Publishers) Ltd.*: 18s. net.)

ACCORDING TO THE preface, this book is addressed to accountants, economists and businessmen, while the author speaks as Reader in Accounting at the London School of Economics. It is therefore only fair for an accountant to read it as an attempt to bridge the gap between economics and accounting. If it is read in this light, Mr. Edey will be found to say many useful things about budgets and accounts and, in particular, about the logic of accounting as seen by an economist; the use of an economic view of double entry is particularly effective in allying the two arts and is stimulating to accountants brought up to think simply that because there is a debit there must be a credit.

At the start Mr. Edey discusses the history of accounting and the reasons for it; he makes it clear that to him accounting is more concerned with the future than the past. Thus, at one step, he says that management accounting belongs in the fold of general accounting, concerns many people who are not accountants and has some notable shortcomings.

The discussion proceeds by considering the principles behind the preparation of annual budgets and their relationship to orthodox profit and loss accounts and balance sheets and to the sales, production and overhead plans, the success in achieving which the annual accounts finally reflect. Here Mr. Edey is more felicitous when discussing economic principles than when dealing with accounting practice. Admittedly, he aims "to demonstrate principles rather than to provide an exhaustive description of business," but some parts of his discussion are too ready to hint at difficulties and leave them unresolved, or even to ignore them altogether. The accountants and businessmen among his readers must keep the clear and effective line of his general

argument in front of them and must refuse to be irritated by suggestions such as that it is only some companies which spend money on research or development (it might be fairer to say that it is only some that do not spend any), or that "the setting of standards is likely to be quite a complicated matter in practice." Even investors may jibe at the suggestion that shareholders are "nominally part owners of the business" if the remark is taken out of its context.

These criticisms should not be allowed to detract from the overall value of the book. Accountants will welcome the clear expositions of opportunity costs, replacement depreciation and the interdependence of the different parts of a budget. They may feel that Mr. Edey has got too much involved in a discussion of the principles of standard costing, but this subject is, no doubt, no more elementary to economists than some of the economics in the book is to accountants.

A fresh approach to accounting is valuable and this book attempts, and to a great extent succeeds, in providing it. Readers may not always wish to be included in the first person plural which the author uses throughout but they will certainly be stimulated. C.B.

Books Received

Butterworths' Company Precedents—Supplement. Prepared by W. J. Williams and C. F. Pryke. Pp. x+70. (*Butterworth and Co. Ltd.*: Supplement 17s. 6d. Combined price £19 15s. net.)

Stamp Duties. 2nd Edition Supplement. By F. Nyland. Pp. viii+20. (*Butterworth & Co. Ltd.*: Supplement 6s. plus 3d. postage. Combined price 27s. 6d. net, plus 1s. 6d. postage.)

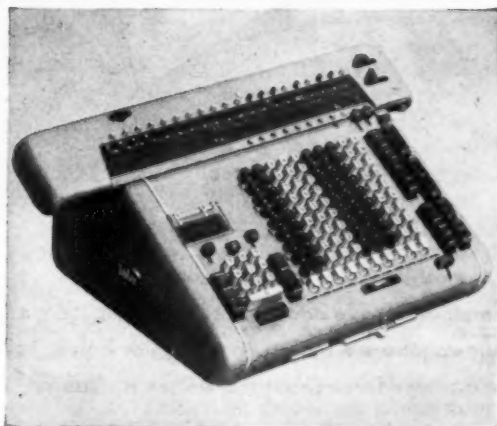
Taxation in Australia. By Walter W. Brudno and a research group in the Faculty of Law of the University of Sydney, under the direction of K. O. Shatwell. Pp. xxix+326. (*Little, Brown & Co., 34 Beacon Street, Boston 6, Massachusetts, U.S.A.*: \$10.00.)

Geschäftskunde für das Handwerk. Ed. Max Kleineberg. Pp. 335. (*Verlag Die Wirtschaft, Berlin*: 11.50 DM.)

"Taxation" Key to Income Tax and Surtax—1959/60. Edited by Percy F. Hughes. Budget edition 1959. (*Taxation Publishing Co., Ltd.*: 10s. net, 10s. 6d. post free.)

1957/58 Supplement to an Introduction to Farm Management Analysis. By Graham Hallett. Pp. 24. (*Department of Agricultural Economics, University College of Wales, Aberystwyth.*)

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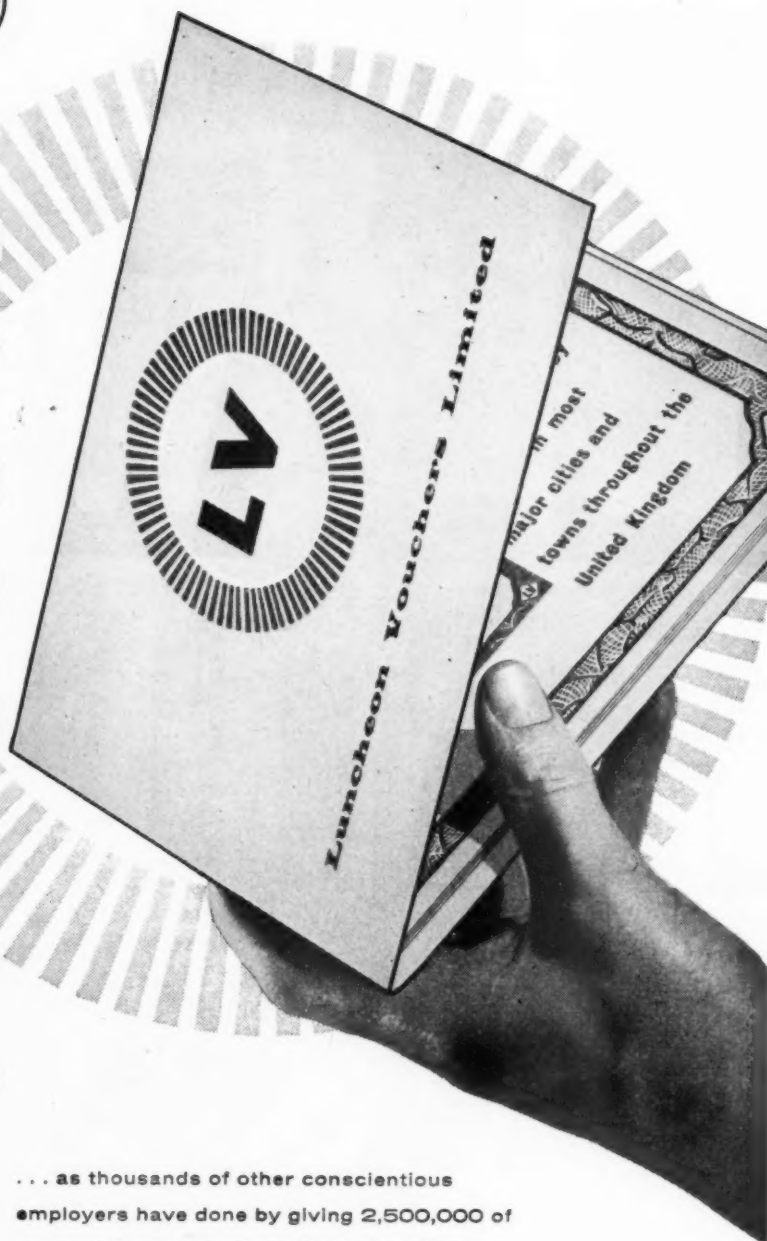
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Legal Notes

Contract and Tort—

Liability of Purchaser of Business to Indemnify Vendor against Tax

In Re Hollebone's Agreement. Hollebone v. W. J. Hollebone & Sons Ltd. [1959] 1 W.L.R. 536, the Court of Appeal was concerned with the construction of a written agreement dated July 14, 1952, under which H. agreed to sell to a company the whole of the business of a wholesale wine and spirits merchant.

By clause 4 of the agreement, the purchasers undertook "to pay satisfy discharge and fulfil all the debts liabilities contracts and engagements of the vendor in relation to the said business and indemnify him against all proceedings claims and demands in respect thereof," and by clause 8: "Possession of the premises hereby sold shall be retained by the vendor until the date of actual completion of this agreement and in the meantime he shall carry on the said business in the same manner as heretofore so as to maintain the same as a going concern but he shall be deemed as from April 1 last to have been carrying on and he shall henceforward carry on the said business as agent for the purchasers and he shall account and be indemnified accordingly."

Completion of the sale took place on July 14, the date of the agreement, and the points in issue were whether the purchasers were liable to indemnify the vendor (a) in respect of the income tax and surtax which he was liable to pay on the profits of his trading between April 1 and July 14 and (b) in respect of the income tax and surtax which he was liable to pay under Section 143 (1) of the Income Tax Act, 1952, by reason of the fact that the purchase price included a profit of £20,000 to the vendor on the cost of his stock.

The Court of Appeal said that in clause 4 the words "all liabilities of the vendor in relation to the said business" were wide enough to include the income tax which the vendor had to pay both on his trading profits and under Section 143, but not wide enough to include any surtax, which was a tax levied on the vendor as an individual (see *Conway v. Wingate* [1952] W.N. 171).

The Court further held that under clause 8 the purchasers were bound to indemnify the vendor against the income tax and the surtax (at the rate

applicable to the top slice of the vendor's income) on the trading profits: the vendor as the purchaser's agent was bound to account to them for such profits as he made during the period April 1 to July 14, and it was the natural corollary of this that he should be indemnified by the purchasers against all tax liabilities which he incurred through earning those profits. But the £20,000 profit made on the sale of the business was made by the vendor not as the purchaser's agent but as a principal, and under clause 8 the purchasers were not bound to indemnify the vendor against the income tax or surtax attaching to him in respect of that profit.

Miscellaneous—

Assignment of Lease to Subsidiary Company

In In re Greater London Properties Ltd.'s Lease [1959] 1 W.L.R. 502, the tenants of shop premises proposed to assign their interest to a subsidiary of Allied Bakeries Ltd. The lease contained a covenant in the common form that the tenants should not assign without the consent of the landlords, such consent not to be unreasonably withheld in the case of an assignment to a respectable and responsible assignee. The landlords took the view that the subsidiary, although respectable, was not responsible, their main contention being that the subsidiary owed to the parent company over £200,000, which the parent company could demand at any time and thus wreck the subsidiary. The landlords on this ground refused consent to the assignment unless the obligations of the subsidiary were guaranteed by the parent company. The tenants applied to the Court for a declaration that the landlord's refusal was unreasonable.

Danckwerts, J., said that the matter was not theoretical but must be approached in a practical and realistic manner. In theory the parent company could demand repayment of the loan and thus break the subsidiary, but in practice the subsidiary would not be brought to a sudden end by a demand for payment; it was the interest of the parent company to keep the subsidiary going as part of its trading activities, and in reality the connection with the parent company was a source of strength

to the subsidiary. On the facts of the case it was absurd to pretend that the subsidiary was not a reliable tenant in respect of the discharge of the rent and the performance of the covenants of the lease. Accordingly, the landlord's refusal was unreasonable and the tenants were entitled to the declaration for which they asked.

It should not be assumed that as a result of this case it would always be unreasonable for a landlord to refuse consent to an assignment to a subsidiary unless the parent company entered into a guarantee. Every case must be considered on its own facts; the point of the decision is that the position of the subsidiary must be viewed realistically.

Miscellaneous—

Presumption of Advancement to Wife

The decision in *Re Emery's Investment Trusts* [1959] 2 W.L.R. 461 is a stern lesson to husbands who put assets of their own into their wife's name with the object of avoiding tax liability, contrary to the law. The husband in this case was a British subject and the wife an American citizen. They made a lawful arrangement under which American bonds were purchased in the name of the wife with the husband expressly named as a beneficiary with her. These bonds were then sold and the proceeds reinvested in common stock of American companies in the wife's name; no reference was made to the husband's beneficial interest. Matrimonial trouble then developed, and the wife sold the securities and retained the proceeds. The husband claimed a declaration that at the date of sale the securities were as to half their value held by the wife in trust for him.

Wynn-Parry, J., found that the intention of the husband throughout was that the beneficial interest in all the shares should be as to half to the wife and as to the other half to him; but that was not enough to carry the husband to success. When the securities were bought and registered in the wife's name without any mention of the husband's beneficial interest, the presumption of advancement arose and it became necessary for the husband to explain why this was done. The only explanation was that, as the husband knew, he as a non-resident alien would have to pay on his beneficial interest an American tax to which as an American citizen his wife was not subject. The husband's failure to disclose his interest was a clear breach of American law, and the court of equity in this country would not assist him.

An Accountant's Guide to Recent Law

ACTS OF PARLIAMENT

Agricultural Improvements Grants Act, 1959. Providing for regulations to be made by Minister of Agriculture.

Income Tax (Repayment of Post-War Credits) Act, 1959. Providing for repayment of credits including credits to building societies.

Colonial Development and Welfare (Amendment) Act, 1959. Providing further development in colonies and other territories.

Terms and Conditions of Employment Act, 1959. Repealing Catering Wages Act, 1943, converting wages boards into councils and making further provision for minimum remuneration.

House Purchase and Housing Act, 1959. Providing for Exchequer advances to building societies and enlarging powers of local authorities to make advances.

Supreme Court of Judicature (Amendment) Act, 1959. Amending law relating to restriction of vexatious actions.

Rating and Valuation Act, 1959. Postponing coming into force of new valuation lists under Local Government Act, 1948, and restricting proposals for altering the current lists.

Highways Act, 1959. Consolidating certain enactments relating to highways, streets and bridges and making some amendments of the common law.

STATUTORY INSTRUMENTS

No. 686. National Insurance (Unemployment & Sickness Benefit) Amendment Regulations. Amending regulation relating to substitution, for purposes of benefit, of a day for Sunday.

No. 756. Employment of Young Persons (Iron & Steel Industry) Regulations. Modifying conditions in Factories Act, 1937, as to employment of young persons on shift system in specified industries.

No. 760. Traffic Signs General Directions. Amending 1957 General Directions.

No. 761. Traffic Signs (Amendment) Regulations. Amending 1957 Regulations, mainly to provide for the double white line marking and other new carriageway markings.

No. 774. Hill Cattle Subsidy (Breeding Herds) (England and Wales) Payment (Variation) Order. Varying amount for 1959 and the four succeeding years by increasing it to £12.

No. 807. Gas (Stock) (Amendment) Regulations. Amending 1949 Regulations with regard to transfers, witnesses of signatures, and designations of accounts.

No. 809. Purchase Tax (No. 2) Order. Bringing into force a new list of drugs and medicines which are free of purchase tax.

No. 847. National Insurance (Contributions) Amendment Regulations. Amending 1948 Regulations and 1959 Provisional Regulations as to exceptions, credits, holiday payments, etc.

No. 848. National Insurance (Determination of Claims and Questions) Amendment Regulations. Amending 1948 Regulations by providing that question of disqualification from benefit in certain cases shall not be decided by Minister but by other persons.

No. 877. Personal Injuries (Civilians) (Amendment) Scheme. Amending 1949 Scheme to introduce grants of 10s. a week for pensioned widows who have attained the age of 70.

No. 876. Post-War Credit (Income Tax) Regulations. Prescribing qualifications for receiving repayment of credits.

No. 887 (L. 6). Supreme Court (Non-Contentious Probate) Fees Order. Amending 1958 order to allow Principal Probate Registry to charge the same fee as District Probate Registries when conducting certain business by correspondence.

DECISIONS OF THE COURTS

Arbitration

Court in exercise of discretion under Section 4 of Act of 1950 refused to stay action for dissolution of partnership and to refer matter to arbitration in accordance with terms of agreement.

Oliver v. Hillier (1 W.L.R. 551.)

Charity

Gift failed because necessary element of public benefit was lacking.

Davies v. Perpetual Trustee Co. Ltd. (2 W.L.R. 673.)

Contract Construction

Extrinsic evidence of intention not admitted to explain ambiguity in written agreement.

In re Hollebone's Agreement. (1 W.L.R. 536.)

Electricity

"Undue discrimination" in Section 37 (8) of Electricity Act, 1947, discussed with regard to high and low voltage consumers and fuel variation charge.

South of Scotland Electricity Board v. British Oxygen Co. Ltd. (1 W.L.R. 587.)

Factory

Employers could not rely on fact that direct cause of accident was employee's own carelessness: they were liable for contravention of Section 133 of Act of 1937.

Dunn v. Birds Eye Foods Ltd. (2 W.L.R. 812.)

Highway

Abandonment of resolution to make up road under Section 6 of Private Street Works Act, 1892, did not preclude urban authority from passing further resolution to make up the same road in future.

R. & T. Glynn Evans v. Liverpool Corporation. (2 W.L.R. 749.)

Landlord and Tenant

Premium held recoverable even though not paid to landlord company but to associated company.

White v. Elmdene Estates Ltd. (T.N. April 29.)

Rating

Holiday Centre for coal miners, managed by trustees from funds provided by National Coal Board, with the aim of making neither a profit nor a loss, held entitled to relief because for advancement of social welfare.

Skegness U.D.C. v. Derbyshire Miners' Welfare Committee. (2 W.L.R. 711.)

Restrictive Practices

Agreed orders by consent made that restrictions in six agreements were contrary to public interest.

In re Flour Millers' Agreements. (T.N. May 27.) (See a Professional Note in this issue of ACCOUNTANCY.)

As customers paid full retail price of bottle of Lucozade and bottles were not sold but hired at a charge of 1d. instead of 3d., and as Section 25 (1) of the Act did not apply to

hirings, plaintiffs held not entitled to injunction.

Beecham Foods Ltd. v. North Supplies (Edmonton) Ltd. (1 W.L.R. 643.)

Shipping

Defendants could not limit their liability to plaintiffs in tort by relying upon a contract between plaintiffs and a third party to which they were not parties and for which they gave no consideration.

Midland Silicones Ltd. v. Scruttons Ltd. (2 W.L.R. 761.)

Town and Country Planning

Decision of Divisional Court reversed (see ACCOUNTANCY for April, 1959, page 224.)

Eastbourne Corporation v. Forte's Ice Cream Parlour (1955) Ltd. (2 W.L.R. 630.)

Appeal allowed against order of Roxburgh, J., and condition as to tenant's employment in planning permission upheld.

Fawcett Properties Ltd. v. Buckingham County Council. (T.N. April 28.)

Owners of 17 acre site not entitled to use it as caravan site for 95 caravans because owners granted permission in 1950 to use site for 35 caravans and further permission in 1953 to use part of site for 60 caravans.

Kent v. Guildford R.D.C. (T.N. April 30.)

Trusts

Arrangement approved for enlargement of powers of investment of residuary trust funds in equities.

In re Brocklehurst's Will Trust. (T.N. April 30.)

Power of investment enlarged but Court would not fetter power of appointing new trustees.

In re Cain's Will Trusts. (T.N. May 1.)

Trustees of fund invested in unit trusts must treat produce of it as capital or income for purposes of distribution to beneficiaries in same way as if trustees were shareholders of the shares.

In re Whitehead's Will Trusts. (T.N. May 14.)

Vendor and Purchaser

On sale of assets of business where undertaking given by purchaser to pay all debts, liabilities, etc., of vendor in relation to such business, purchasers held liable to reimburse to vendors income tax on profits up to date of completion.

In re Hollebone's Agreement (supra.)

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Letters to the Editor

Auditors' Reports

Sir,—Set out below is a report of one of the leading firms of Chartered Accountants in the country upon the group accounts of a well-known public company. The report is about one third of the length of that recommended in the Institute's *Handbook*, and has the obvious merit of simplicity and clarity.

REPORT OF THE AUDITORS TO THE MEMBERS OF.....

We have audited the above Balance Sheet and have obtained all the information and explanations which we considered necessary. Proper books have been kept and the Balance Sheet is in agreement therewith.

We have examined the annexed Consolidated Balance Sheet and Consolidated Profit and Loss Account. The accounts of two subsidiaries have been audited by another firm.

In our opinion the Balance Sheet and the Consolidated Accounts comply with the requirements of the Companies Act, 1948, and give respectively a true and fair view of the state of the Company's affairs at December 31, 1958, and a true and fair view of the state of affairs and of the profit of the Group.

I should be most interested to hear your opinion (and possibly that of some of your readers) whether the Institute's recommendation has any advantages, from a legal point of view or otherwise, over simpler reports of this type, which seem to be appearing more and more frequently.

Yours faithfully,

R. W. N. PAYNE, B.A.(COM.), A.C.A.
London, E.C.2.

[In a statement made by the Council of the Institute in March last, reported on page 174 of ACCOUNTANCY for March, 1959, it was stated:

Enquiries received from members make it desirable for the Council to state that this approval of a particular form by Counsel in 1948 does not preclude the use of other forms. The Council wishes to make it clear that each member may use his own judgment (with the aid of legal advice if he thinks fit) in deciding upon the wording of his report in compliance with the Companies Act.

The shorter forms of report which are being used seem to have as their main common feature the omission of a number of the customary words and phrases included in the form of report generally regarded as the orthodox one and considered by Counsel (consulted by the Institute) to comply with the Act. These words and phrases are "to the best of our

knowledge and belief"; "so far as appears from the examination of those books"; and "to the best of our information and according to the explanations given us."

If an auditor's work were called in question, the outcome would presumably turn on whether or not he had done his work properly—and the facts on this point, rather than the inclusion or exclusion of the phrases in question, would seem to be the decisive factor.

It may well be that shareholders on the whole would prefer the shorter forms of reports as being easier to read and understand. However, not too much importance, one would think, should be attached to shareholders' wishes on the point, since many of them if asked to express their preference might well like the extreme simplicity of the bare "audited and found correct."

One factor that ought to be taken into account is that the cautionary words and phrases in question are taken straight from the 9th Schedule to the Act and that some auditors would prefer not only to avoid what they might think an overshortened form of words, but also to make use of the phrases that are actually in the statute.—
Editor, ACCOUNTANCY.]

Repayment Claims—Restriction to Net United Kingdom Rate

Sir,—We have argued with the Inland Revenue on many occasions that no differentiation should be made on the repayment of income tax where double taxation relief is given. The limitation to the net United Kingdom rate is most unfair to people with very little income.

In reply to our letter of protest, the Inland Revenue quotes the provisions of Section 350 of the Income Tax Act, 1952, and continues: "The Exchequer cannot be expected to repay to a shareholder more tax than it has recovered from the company. The Ordinary shareholder derives real benefit from the double taxation relief allowed to the company in that to the extent that overseas tax is set against United Kingdom tax the company's profits available for distribution as a dividend are thereby increased."

It adds that the question was considered in detail by the Royal Commissioners on the Taxation of Profits and Income, but that they recommended that no change should be made.

We feel that the law should be amended or that some concession should be made. When a surtax payer receives dividends in this way no additional charge is made, and he pays tax only at the reduced rate. The reform we advocate would result in an immense saving in abstruse calculations in

the offices of the Inland Revenue and of accountants. The cost to the revenue of the additional tax relief would be negligible, and we imagine it would be far more than set off in the saving of work.

Yours faithfully,

PERCY G. STEMBRIDGE & CO.,
Chartered Accountants.

Droitwich.

Sealing of Deed Envelopes

Sir,—In common with other auditing practitioners, we are frequently called upon to examine the deeds and investment scrip of client organisations.

The time occupied during periodical checking of deeds and investment scrip is materially reduced when they are produced to the auditors in suitable deed envelopes which bear an unbroken specially designed seal previously affixed by the auditors.

Hitherto, my firm has employed an electrically heated sealing machine which was a great improvement on the earlier method of sealing by hand. However, in the course of use, the inner walls and outlet passage of the electrical equipment tend to become clogged by sealing wax, and this slows up the smooth flow of the liquid wax. Moreover, the removal of dried wax from the inner walls and outlet after each use is a difficult process.

We wonder whether through further research and inventiveness any of your readers knows of some more modern sealing device which overcomes the necessity of employing sealing wax in solid or liquid form. For example, through the development of new fixatives, such as rubber or plastic adhesives, we wonder whether a satisfactory form of prefabricated seal—bearing the auditor's individual impression or lettering—is now being employed where mass sealing is necessary.

It is hoped that publication of this letter in your journal might perhaps stimulate the interest of someone who knows of or would like to be able to devise a suitable alternative for sealing wax. It is imperative, of course, that any new device should be incapable of removal without being broken.

Yours faithfully,

DESMOND HIRSHFIELD, F.C.A.
London, W.C.1.

When I Grow Up

Sir,—A six-year-old boy had freedom of choice of subject to write a short essay. He asked his teacher for the spelling of "accountant," and wrote as follows:

When I Grow Up
When I grow up I want to be a
accountant because accountants never go on strik
e If you are ill you stil get paid In a factory
they go on strike and be ill but they do
not get paid, accountants get 600 pounds probab
ly rising to 800 pounds. After 5 years
it will probably be 2000 pounds.

Yours faithfully,

W. F. WATSON, A.C.A.
Birmingham.

The Student's Columns

HOW ALLOWANCES ARE MADE—I

AN INDIVIDUAL IN business on his own account or in partnership, and/or in employment, is required to make his income tax return to the income tax district in which his main source of earned income arises. The Inspector of Taxes in that district will allocate the allowances, commonly using them first in his own district, and notifying any other district of the allowances to be given there. The taxpayer may, however, elect to have the allowances given otherwise. He may even choose to have the allowances, other than earned income relief, set against surtax, but this choice is unusual and will not be considered in this article.

Everyone who has to pay income tax (and also surtax where applicable) and who can pay it by way of Tax Reserve Certificates (T.R.C.) is wise to buy them as he earns his income, so as to be sure that he has the means wherewith to meet his obligations when they become due and to obtain tax-free interest on the certificates. As T.R.C. are not allowed to be used for Schedule E tax, which is collected under the Pay as You Earn (P.A.Y.E.) system, a taxpayer with Schedule D and Schedule E sources is well advised to request that as many allowances as possible should be set against Schedule E income.

Illustration

In 1959/60 a taxpayer's income and allowances were as follows:

	£
Business, Schedule D Case II	3,600
Directorship, Schedule E Case I	3,000
Investment income	800
	<u>7,400</u>

Allowances:

Earned income (E.I.R.) 2/9ths of £4,005 + 1/9th × £2,595	1,179
Personal (P.A.)	240
Children (Ch. A.)	375
Life assurance relief (L.A.R.)	120
	<u>1,914</u>
	5,486

Chargeable:

	£	s.	d.
First £ 360 at reduced rates	84	0	0
5,126 at 7s. 9d.	1,986	6	6
	<u>2,070</u>	6	6

To simplify the comparison, let it be assumed that the business income was known in time to allow for an accurate coding number under Schedule E. In that event, the allowances would normally be given thus:

	£	Sch. D £ £	Sch. E £
Assessment		3,600	3,000
E.I.R. 2/9ths × 3,600		800	
2/9ths × 405			
1/9th × 2,595			
	<u>3,000</u>		379

P.A.	240	
Ch. A.	375	
L.A.R.	120	
	<u>1,535</u>	
	2,065	2,621

Chargeable:

	£	£ s. d.	£	£ s. d.
First	360	84 0 0	—	—
At 7s. 9d. 1,705		660 13 9	2,621	1,015 12 9
	<u>2,065</u>	744 13 9	2,621	1,015 12 9

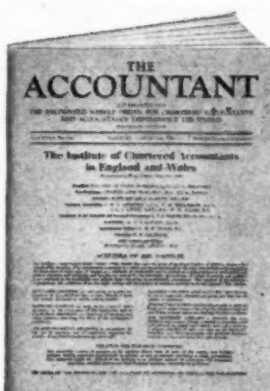
Reconciliation:

	£	s.	d.
Schedule D	744	13	9
Schedule E	1,015	12	9
Dividends, £800 at 7s. 9d.	310	0	0
	<u>2,070</u>	6	6

To pay his income tax the taxpayer could use T.R.C. which, with interest, totalled as nearly to £744 13s. 9d. as possible.

If, however, he had his allowances first against Schedule E:

	£	Sch. D £ £	Sch. E £ £
Assessment		3,600	3,000
E.I.R. 2/9ths × 3,000			667
2/9ths × 1,005		223	
1/9th × 2,595		289	
		<u>512</u>	
Other allowances			735
			<u>1,402</u>
		3,088	1,598
First	360	£ s. d.	£ s. d.
At 7s. 9d. 3,088		1,196 12 0	1,238 479 14 6
		<u>1,196 12 0</u>	563 14 6



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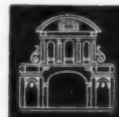
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Schedule D	1,196	12	0
Schedule E	563	14	6
Dividends	310	0	0
					<u>2,070</u>	<u>6</u>	<u>6</u>

The Gain in Interest

The difference in interest on T.R.C.'s would be as follows—assuming T.R.C.'s carrying interest at $2\frac{1}{2}$ per cent, and held for two years:

<i>If Allowances against Schedule D first:</i>				£	s.	d.
T.R.C.'s surrendered	..	..	..	700	0	0
Interest 2 years at $2\frac{1}{2}$ per cent. per annum				31	10	0
Total paid by T.R.C.	..	..	..	<u>731</u>	<u>10</u>	<u>0</u>

(T.R.C.'s can be surrendered only in multiples of £25. The balance of £13 3s. 9d. would have to be paid by cheque or cash.)

<i>If Allowances against Schedule E first:</i>				£	s.	d.
T.R.C.'s surrendered	..	..	..	1,125	0	0
Interest 2 years at $2\frac{1}{2}$ per cent. per annum				50	12	6
Total paid by T.R.C.	..	..	..	<u>1,175</u>	<u>12</u>	<u>6</u>
Cash or cheque	..	..	..	20	19	6
				<u>1,196</u>	<u>12</u>	<u>0</u>

Additional interest	19	2	6
---------------------	----	----	----	----	---	---

The taxpayer's surtax is as follows:

				£	£
Total income	..	..	..	7,400	
Less: P.A. and Ch. A.	..	..	..	615	
Deduct	..	..	..	140	
				<u>475</u>	
Surtax payable on	..	..	..	6,925	
					£ s. d.
On £6,000	..	..	..	787	10 0
£925 at 6s. 6d.	..	..	..	300	12 6
				<u>1,088</u>	<u>2 6</u>

(T.R.C.'s should also be held against the surtax)

The additional interest obtained by having the allowances set against Schedule E instead of Schedule D, namely £19 2s. 6d., with income tax and surtax totalling 14s. 3d. in the £ is equivalent to interest of £33 5s. gross per annum on the additional £425 T.R.C.s surrendered.

(To be concluded)

ROYALTY ACCOUNTS—I

A ROYALTY may be defined as a payment, made usually under a licence or lease, for the use of an asset, calculated by reference to amounts sold or produced as a result of the use. Mining royalties are usually based upon the ore raised and copyright royalties on the number of books sold. Sometimes the definition is extended to embrace a charge based not on amounts sold or produced, but on some other measure, such as the number of stitches worked by a machine.

There sometimes arises the necessity of providing to a lessor, inventor or author who is to receive royalties, some reward during the interval before production or sales can take place on a commercial basis: a certain sum, often known as a minimum or dead rent, will be guaranteed to him, whatever the output or sales (or quantity in any other stipulated measure). Usually it is provided that if the sum due, when calculated later on the basis agreed for the royalties, does not reach the minimum sum, the deficiency may be carried forward and deducted from future royalties. This right "to recoup short workings" thus ensures that the sum paid is the minimum rent or the royalty whichever, is greater. The right to recoup short workings may be prescribed to take place only within a fixed limit of time, beyond which no deficiency may be carried forward against future royalties.

The payer of most kinds of royalties must deduct income tax and account for the tax to the Inland Revenue.

The book-keeping

The accounting entries for a royalty transaction in the books of the payer are:

1. If the minimum rent exceeds the royalty:

(a) debit royalties account and credit landlord's account with the amount of the royalty;

(b) debit short workings account and credit landlord's account with the amount by which the royalty falls short of the minimum rent;

(c) debit landlord's account and credit cash account with the sum paid (less tax);

(d) debit landlord's account and credit income tax account with the tax deducted from the repayment;

(e) transfer balance on royalties account to the profit and loss account; the short workings is taken to the balance sheet as an asset.

2. If the royalty exceeds the minimum rent:

(a) debit royalties account and credit landlord's account with the royalty;

(b) debit landlord's account and credit short workings account with the short workings, if any, recoverable and carried forward from the previous period;

(c) debit landlord's account and credit cash account with the sum paid (less tax);

(d) debit landlord's account and credit income tax account with the tax deducted from the repayment.

If the right to recoup short workings has expired, the

balance of short workings account can no longer be shown as an asset in the balance sheet, but should be written off to the profit and loss account. It may be that there is no reasonable expectation that short workings will be fully recouped. Perhaps future production or sales are not considered likely to absorb the balance on short workings account; or perhaps the lease on which the asset is being worked is nearing expiry. In such circumstances, the irrecoverable balance on short workings account should be written off to the profit and loss account.

A concern may obtain a licence or lease on the terms

that a royalty is paid, with the right to sublet to a sub-lessee. The (first) lessee then remains liable to the head lessor for the agreed royalty on the output, irrespective of the agreement between the lessee and sub-lessee. If the sub-lessee has power under his agreement to recoup short workings, the lessee must provide accordingly in his books, since in any particular accounting period he may have to pay royalties to the head lessor corresponding to part of the minimum rent collected in an earlier accounting period.

(To be concluded)

The Institute of Chartered Accountants in England and Wales

Special Meeting

A SPECIAL MEETING of the Institute was held at the Hall of the Chartered Insurance Institute, 20 Aldermanbury, London, E.C.2, on Tuesday, June 2, 1959.

Mr. W. L. Barrows, LL.D., J.P., F.C.A. (the President) was in the chair. After introducing those on the platform, he said:

Is it the pleasure of the meeting that the notice convening the meeting, with the explanatory notes* and the resolution, be taken as read? (Agreed.)

The information issued to members with the notice of the meeting is so full that I do not think it is necessary for me to say anything in amplification. Before proposing the resolution, however, I should perhaps mention that about twenty letters have been received from members about the resolution. Only two points emerge which are new in the sense that they are not covered in the explanatory notes.

The first is a suggestion that there should be some temporary rebate or remission of subscription for existing fellows to compensate them for the fellowship election fee which they have paid and which, in the event of the proposals being adopted, will not be required from future fellows. (Laughter.)

The other suggestion is that there should be only two scales of subscription, one for fellows and one for associates, irrespective of occupation or location, whether in this country or abroad.

Neither of these suggestions would have the support of the Council.

I would like to remind members that whatever may be the voting on a show of hands, there will be a poll on the resolution which will give all members of the Institute an opportunity of voting.

I now propose the resolution as set out on pages 6, 7 and 8 of the notice convening the meeting, and I will ask the Vice-President to second the proposal.

Mr. C. U. Peat, M.C., M.A., F.C.A. (Vice-President): I beg to second the proposal.

The President: The matter is now open for discussion or comments.

Mr. H. Hayhow, O.B.E., F.S.A.A. (Leeds): Mr. President, I am an incorporated accountant. I think, Mr. President, you might be interested in one or two reactions of an incorporated accountant to these proposals because, whilst I am not opposed to them, I do feel that they will add to the sense of despondency which this tiny minority feels. When the Scheme of Integration was approved, it was probably rough logic to equate the position of an incorporated accountant of whatever standing or status with that of an associate of the Institute, because at that time it was impossible for a member serving in industry, commerce or public service to aspire to fellowship of this Institute.

Now it is proposed to change this. Fellowship in future, if these proposals are approved, will be awarded automatically to any chartered accountant by the mere passage of time—assuming he has done nothing to blot his copy-book—but despite this fundamental change it is still proposed to align the incorporated accountant, again of whatever status and stand-

ing, with the associate. Among incorporated accountants are many senior members of the profession; they entered it honourably and have served it well, but, whatever their status and whatever their achievements, they will still be equated with the associates of the Institute, many of whom will barely have come out of their articles.

The position will become more anomalous as time goes on, because these senior incorporated accountants may have within their organisation fellows of this Institute who may be serving that organisation in quite a minor capacity. We appreciate, Mr. President, that this is a difficult problem. We feel it is also a small problem but it is very important to those who are directly affected. We know the climate of opinion has changed since the integration proposals were approved, and we know that certain individual members of the Institute are not unfavourable to us being afforded full equality within the Institute. At least one district society of the Institute has placed on record a resolution pressing for this position to be reviewed. We ask, therefore, that the Council of the Institute should not be content to add to the sense of grievance felt by this small minority, but should give serious and sympathetic consideration to the position of the incorporated accountant member in the light of the situation which will be created if these proposals are approved. Thank you, sir. (Applause.)

Mr. J. E. M. Maw, M.B.E., A.C.A. (London): I would like to ask one or two questions, if I may, about the White Paper with which we are presented today. In the first place, who has made these representations to the Council that these enormous alterations should be made in the rules of the Institute? You start off with your reasons. The first three words are: "It is probable . . ." There were many obvious matters which the founders in 1880 did not know would happen by today. For instance, they did not know that, instead of a father putting his hand deeply into his pocket, as mine did in 1914, so that the artful pupil might have the privilege of becoming a chartered accountant, the boot is now on the other leg.

* The explanatory notes issued by the Council were printed in full in the May issue of ACCOUNTANCY (pages 287-9).—Editor ACCOUNTANCY



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Throughout the whole of this paper, the associate has to bear a higher fee; he did as a result of the meeting last year when the associate's fee was increased by 66 2/3rds per cent, as opposed to the fellow in practice of, I think, 50 per cent. If these fees, or I should say subscriptions, go through, the result will be that a member like myself, who happened to satisfy the examiners before the 1929 Act came into being—the 1948 Act not having been thought of—I have willy-nilly got to add to my name the letter "F," which I do not want, and I have got to pay another guinea a year to the Institute. What runs throughout this paper is that the Council say that fellows in practice are now bearing too much of the expense of the Institute. Well, I do not see why I should have to bear another guinea a year and the good gentlemen who employ me should have their subscription reduced by, I think, three guineas a year. That, of course, is a purely monetary matter and may be a matter of minor importance to the members here.

When you come to No. 8 on this paper, with due deference to you, Mr. President and the Council, you have taken out of the two Charters of 1880 and 1948 sentences. That, I believe, is the method which is adopted in the House of Commons and often leads to serious controversy. I venture to suggest, Mr. President, that the words which you have taken out of the 1948 Charter, namely, "The accountancy profession as a whole," are not the relevant words; the relevant words are the last two words in that paragraph which are "professional accountants." Are we to be a profession, or are we to be a commercial concern, which is what I honestly feel this boils down to? If you read up what a profession is in the dictionary in the Institute you will find columns devoted to it. Actually there are only three learned professions: divinity, law and medicine. We are not listed but I think we would regard ourselves as a learned profession.

How are you going to continue as a learned profession unless you have your professional accountant in practice who is able to have an articulated pupil and teach him how to become an accountant? When it comes to a prospectus, what does the City look for? They look to see, for one thing, who has certified the figures in that prospectus. They look to see who the firm is and if it is a firm of international repute or high repute. They do not worry whether the man who has compiled those figures is a F.C.A. or an A.C.A.

May I say one more thing, Mr. President. When you come to paragraph 10 (e) there is one class of person you have left out and that is a person like myself. I may go to a firm of high repute. I still wish to exist and so does my wife. The firm say: "Well, there may be a very good tune in the old fiddle, we will employ him, but we obviously cannot push him on. The young man is the man we must push on—he knows more of the modern practice." What happens? Under this rule, I am bound to become a F.C.A. What happens to my manager? Probably he is not yet entitled to become an A.C.A. If that is not bringing the whole system into disrepute I do not know what is.

I would therefore, Mr. President, like to move an amendment to this resolution which is as follows:

"That the following Clause 6 be made and adopted Clause 6 of the Supplemental Royal Charter of 1948 in substitution for and to the exclusion of the existing Clause 6. . . . I would then leave the present Clause 6 as it stands, except that, in the last line but one, after the word "accountant," I would add: "... or has completed ten years' membership

of the Institute" and I would add a Clause 6 (b) which would read the same as the proposed new Clause 7 regarding A.S.A.A. and F.S.A.A.

Thank you, Mr. President. (Applause.)

The President: Would you let me have what you read out as the amendment which you are moving?

Mr. Maw: I have not written it out, sir.

The President: Could you write it out and let me have it?

Mr. L. H. Wrigley, F.C.A. (London): I am an F.C.A. and, at the present moment, proud of it. I would like if I may to express gratitude that the remonstrances that have been made appear to have borne fruit and at least we are going to have a poll on a subject of wide interest, but not, I think, of interest to all members, and, if I may, I would like to go a little further and suggest that this meeting is really out of order, and the proposed poll of all members is really out of order. It may not be illegal under the terms of the Charter, but ethically I think it is. After all, if you have outside your house a pack of wolves running around ready to grab the Sunday joint, you do not ask them to come in and vote as to whether they would like to have the Sunday joint. You know that. You get together and either decide to give them the Sunday joint or take steps to see that they will not get the Sunday joint, and I would like to propose, if I may, that this meeting be terminated forthwith and the proposed poll be cancelled, and that a new meeting be called of fellows and associates in practice who are the principal people involved. This policy of appeasement which started in 1947 has culminated, in my opinion, today. I do not think we, the people who are looked to to train the future of the profession, to maintain the profession, should be expected to come to a meeting and be swamped by a majority vote or on a poll by a majority poll. The matter ought to be considered amongst ourselves before these steps are taken. Therefore, sir, I hope I will get a seconder from the hall, because it is such a fundamental and serious matter that the authority, status and discipline of fellows and associates in practice should not be undermined further. I therefore propose that the meeting be terminated forthwith.

The President: Is there a seconder?

Mr. P. A. Aldrich, F.C.A. (London): Mr. President, I will second that motion, if I may.

The President: I am advised that this meeting has been properly convened and the notice has been properly given, and it would be quite out of order for me to accept that resolution, which has been proposed and seconded, that the meeting be terminated forthwith.

Mr. A. V. Hussey, F.C.A. (London): Mr. President, this is not an annual general meeting so I am not offending against my own words of a few days ago that I will not make a practice of disturbing the tranquillity of your meetings. This is a special meeting and for a special purpose and therefore I hope you will not mind if I make an observation or two.

I have listened intently to the previous speakers and I think what surprises me most of all is the first few words of paragraph 6 on page 3 commencing with: "Whatever the original purpose of the distinction . . ." I am surprised that it does not appear to be known by the present Council what the original idea was when the authorities of that time decided on the idea of fellowship. I always thought personally that it was wrapped up in this—that, as distinct from an associate, a fellow was one who had put up a plate, proved himself to be a master man, and had been a

master man for at least five years, and that, whether he was practising alone or in partnership with others, the decisions he and they made involving expense were involving their own personal monies; if they decided on a course of action to change offices, buy motor cars, whatever it was, they were spending their own money.

They were the people, too, who were looked to to train those who were coming along into the profession in the future. As a result of that, I thought the idea was to stamp him as a man who was a master man and was in practice, offering his services to those who were prepared to employ him on the basis that that man—alone, or with partners—was risking everything he had in the world, including his private fortune. There was no question of limited liability whatsoever, and therefore they were to be considered as people presumably entitled to some slight distinction from those who were not risking their private fortunes and, so far as I am aware, that exists today. We are not allowed to advertise our services, but if we are fortunate enough to have people requiring us to act for them, we undertake it with the knowledge that there is no limited liability and everything is at stake, which I do suggest is vastly different from the position of an associate who is not in practice. Therefore if all are to become fellows after having been associates for a period of years, that distinction disappears, and in the light of present day events there must be many a fellow in practice who perhaps feels that he missed the boat and he should have taken the other road.

It is no use crying over spilt milk. I would not like to suggest any amendment to the resolution; I would not like to suggest for one moment that the Council have not given this every consideration, but it is most extraordinary that, although the report states that the Council have consulted with district societies throughout the country, there has been dead silence on the point I have raised about the question of fellowship. If, in point of fact, I am wrong and that was not the idea of fellowship in the past, I cannot see any point in having automatic fellowship. Associate should be good enough, or membership of the Institute, and that and that alone. Thank you very much. (Applause.)

Mr. H. T. Sharpe, B.COM., A.C.A. (Birmingham): Mr. President, ladies and gentlemen, I had not intended to speak when I came to this meeting, although my friends know it is almost impossible for me to keep quiet at any meeting, but I feel that I must first of all congratulate the Council on tackling this very thorny problem and producing what I feel is a reasonable answer to a problem which has concerned those of us who started out in the profession, then saw the light and went into industry. I was always taught that dignity which had to be preserved was probably non-existent, and I have always felt, particularly in later years, that to have an arbitrary distinction between two men, abiding by the same code of professional ethics, trying to preach that code and practise that code in all the contacts they make in their business life—to have a distinction of this nature is wrong.

Referring to what the last speaker has said, is he to suppose that the man who, as he says, limits his personal fortune, which probably at the time he sets up his brass plate is not vast, anyway—in setting up his brass plate, coming into contact, perhaps in his early days with a few people, and growing, or possibly not even growing, because that is even possible—is he to be distinguished above the man who has, with the same training (and let me say here that

none of us in industry would decry that training in the slightest degree and we have no wish to alter the method of obtaining our training), but is he to be distinguished from the man who, with the same training, has risked his whole future life and his future possibility of increment in allying his abilities with a commercial or industrial organisation, and possibly because of the very training he has received has reached the top of that particular organisation? Professional gentlemen will know how big some of these organisations are. Is it fair that a man who has perhaps become chief accountant of a world wide organisation, controlling millions of pounds' worth of assets, and completely responsible for the preparation of its accounts—admittedly they have to be audited but he is responsible for the preparation of them—should be distinguished on the wrong side? Thank you, Mr. President.

Mr. E. P. Southall, A.C.A. (London): I am an associate not in practice. I am glad that this meeting has started pulling itself together, and I think that we should continue to give some positive consideration to the proposals of the Council. There is one aspect which has not been touched on yet—that of associates who have not gone into practice but perhaps have been associates for many years. I look back on nearly forty years' experience in professional life in London. I think I saw the light and stayed in the profession! Since the days of the Charter, there are many people in my position who have by now acquired a great deal more experience than a fellow after he has put up his plate for five years, and I think that, with the growth of accountancy, the distinction between people who are in practice and people who are not in practice has tended to diminish. There is an immense amount of work done by senior members in the accountancy staffs of practising accountants throughout the country. It will not make any difference to me at all whether this resolution is carried, but I think the proposals of the Council do recognise that in the course of time, with the growth of specialisation, and with the growth in the size of the companies to be audited, it has become essential that there should be senior staff who are not in practice. I think that these proposals do solve something; they tell the world that you are either a practising member or else that you have had a ten year period since qualification. That is nothing very much in itself; when it comes to the test you judge a man by his ability and his character and your sense of what he is; you do not look up to see whether he is a F.C.A. or an A.C.A., whether he is a B.A. or anything else. You say: "I understand something about this man."

I hope we shall not think about the past, at any time I might go on the guinea subscription, so the future is not of primary importance to me, but what people thought in 1880 should matter very little now. I think that the Council has tried to do something and I feel, speaking on behalf of other people placed as myself, that their position would be given a slightly greater dignity so far as letters can give it. (Applause.)

Mr. W. E. Spruce, A.C.A. (London): Mr. President, I think we are all glad that this matter of the associate and the fellow is being tackled, but personally I think the resolution as worded is not quite the right answer. Speaking as an associate for some forty years, during the whole of that period it has never occurred to me to want to become a fellow. As a chief accountant out in industry, nobody asked me whether I was an associate or a fellow—I was just at that time an incorporated accountant. I remember at one interview before a Board, the Board were asking me all sorts of questions

whether I could do this or do that, and the Chairman silenced them by saying: "Mr. Spruce is an incorporated accountant." Then later in Government service I do not think Ministries are in the slightest interested whether you even remain a member of the Institute (laughter).

I have tried to persuade the Inland Revenue that my job depended on being a chartered accountant but the Ministry failed to support me. They said that was not true. Now I find at the end of about forty years that, if this resolution goes through, I am compelled to become a fellow whether I like it or not. Personally I might like to become a fellow, provided fellow really meant something. So far, I agree that fellowship has depended on whether the man is prepared to risk his own private capital, put up his plate and remain in practice for five years, prove himself a capable accountant, and then apply for fellowship. I would like to see fellowship continue on those lines; I would like it to be something indicating sheer merit, something to be striven for, something to be applied for, something to be awarded for merit and not thrust down your throat as this resolution seems to indicate.

I am getting at the little word "shall" in the resolution. I think that word "shall" should be eliminated from the resolution altogether. It seems to me almost as if the old method of the carrot and the stick is being applied. You dangle in front of the associate the dubious carrot and then come down with the big stick with the little word "shall"—meaning that he has got to eat the carrot and digest it as best he may. Furthermore, I think this involves a question of choice of selection, and that is something we should cherish with all our hearts, I think, and to be denied that choice of selection seems to be rather hard on the man who has been for quite a considerable time a competent chartered accountant. I think he should be allowed that freedom of choice which we all wish to perpetuate, and in the name of freedom of choice I would like to see that little word "shall" disappear from the resolution. (Applause.)

Mr. A. P. Hughes, F.C.A. (London): Mr. President, I really wanted to know whether I could ask three questions, not very important ones, to satisfy my curiosity. I was not intending to speak on the resolution proper because I felt that was a very thorny and difficult problem and I assumed that the Council must have given very great weight to all the representations that they will have had. When I think of the problem myself, I think of two friends who were at school with me who are both chartered accountants. We are about the same age and have known each other fairly well. I continued in the profession and they decided not to go into practice. Assuming we all have roughly the same ability—they may think I am conceited in saying that—why should I be allowed to call myself a F.C.A. while these two other chaps who are just as good accountants as I, perhaps better, are still A.C.A.'s? I know they rag me occasionally and say: "You call yourself F.C.A. whilst we are condemned for ever to be A.C.A." I do not know that it really worries them enormously, this position, because they know that and accept it. I think they feel that most people also recognise what the distinction means. Associates may be slightly envious of fellows just as I in turn am envious as I pull their legs about the fringe benefits they get—the top hat schemes and so on, but it does not make them terribly anxious to have any change in description.

When I look at the proposed new clause on page 6, do I gather that if I become a chartered

accountant and then shortly thereafter I stop really doing chartered accountancy and set up in a sweet shop or something like that, not requiring a high degree of accountant's skill, after ten years I will automatically become a fellow?

The President: I think I can answer that one at once—yes, you would become a fellow.

Mr. Hughes: Is that not perhaps a curious result? Then on the same page on the notes where you are making this change between the old and the new clauses . . . I am referring to the middle of the right hand column on page 6, where you give the present clause 8 and then the proposed clause on the other side. The differences, so far as I can see, between these two clauses are these: The present clause states that the Council shall decide as to whether "any person applying to be admitted an associate . . ." and you are proposing to change that to "The Council shall decide whether any person applying to be admitted as a member . . ." I cannot really see that very much is to be gained by that change of wording. I think it is a pity to alter another clause if that is all there is in it. We do not want to have our Charters like a series of Finance Acts.

The President: May I try to deal with that straight away to save your time? It is simply cutting out the election to fellowship which will no longer arise if the present proposals are accepted, and it is purely consequential.

Mr. Hughes: Thank you, but I couldn't quite follow because I was coming to that next. The present clause goes on to say: "or elected a fellow." Those are the words which are going to be removed. We are giving the Council discretion to decide whether or not the conditions have been fulfilled, and I cannot see it is necessary to cut this out.

The President: That position of giving discretion has always been the position. We are not changing it.

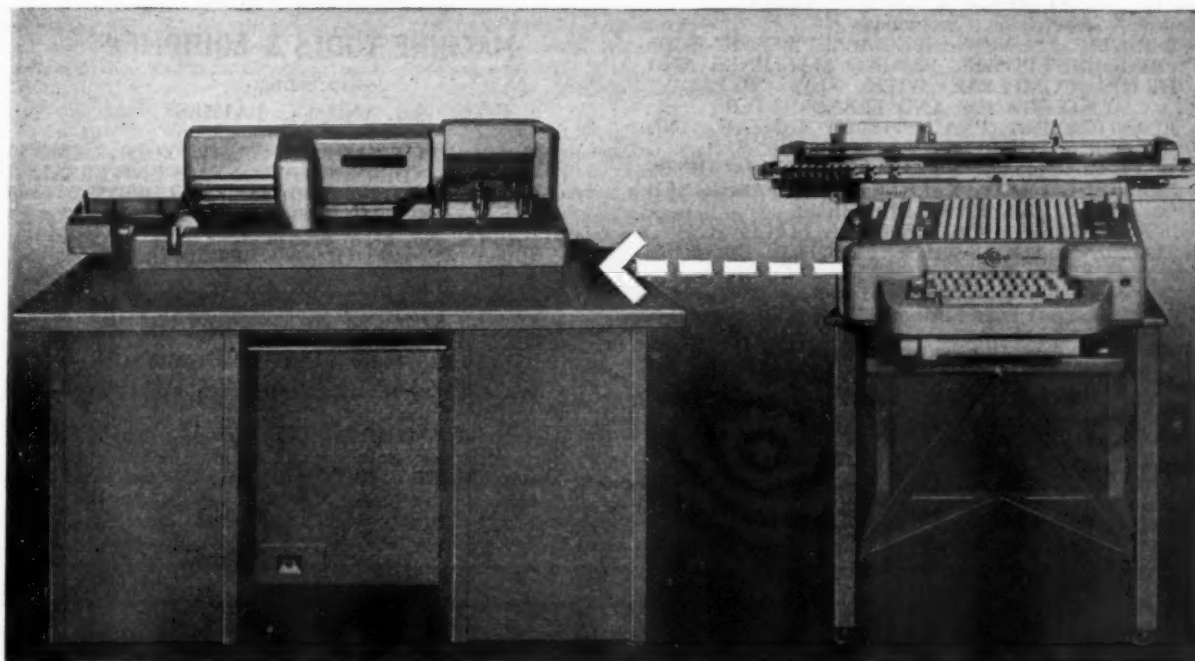
Mr. Hughes: Then why eliminate it in the proposed new clause? That is all I am concerned with. Am I being stupid? (Laughter.)

The President: You ask me whether you are being stupid. I am advised that you probably are. (Loud laughter.)

Mr. G. Tattersall-Walker, A.C.A. (Boston Spa): I live in a little village in the centre of Yorkshire and I have been nine years and ten months an associate, so in two months, if this had been passed earlier, I would have been able to be a fellow. The question I ask is—should I be able to put "F.C.A." after my name? I think in the public mind there is some misunderstanding; they cannot understand this difference between A.C.A. and F.C.A. I think the Council have done something positive to try to clear the matter up in the public mind and they are to be congratulated. Until this came up at the district committee I was not worried whether I became a fellow or remained an associate. The choice that I went into industry was mine and therefore I must abide by it. But I have had my training in the profession and I think if we become F.C.A.'s in industry, we have got to ask ourselves—are we doing justice to the profession, because it is the professional people that matter. They become F.C.A.'s and I think this resolution does justice, because it gives the managing clerk, who has been ten, twenty, thirty years in the profession, his F.C.A. and I think that is what is most important out of this resolution. If you, if the profession, think that we in industry can become F.C.A.'s after ten years, if you think that is sufficient, I think we would be grateful to change from "A" to "F" and pay a little extra subscription. As one who is not in London, who is 200 miles from the Scottish

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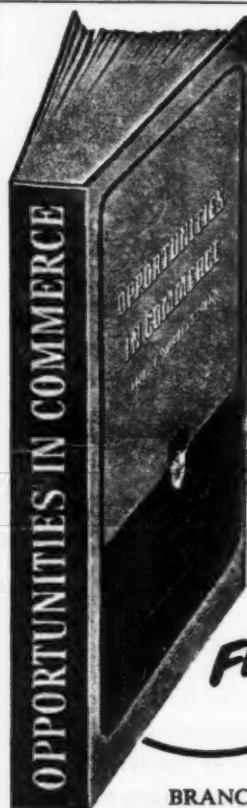
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Institute who will not allow us to use one designation, and therefore we cannot have what I think we would all prefer, and 200 miles from London, I think the middle course the Council have adopted is one on which they are to be congratulated, so long as the profession agree that it is reasonable. Thank you, sir.

A Member: Mr. President, is it possible yet to tell us how many practising members and how many non-practising members are present?

The President: I cannot see that has got anything to do with it—they are all members of the Institute and entitled to attend.

If there are no other comments to be made or questions to be asked, I suppose I have got to try and deal with certain questions. Actually, I think most of the speakers have indicated quite clearly that they are either against the resolution or that they are in favour. I think one question I have got down here, which I am asked to reply to, was put by Mr. John Maw, who asked "Who made the representations?" I am sure that if he will read through the proceedings at the annual meetings over the last few years, he will find that there have been representations and the Council, of course, are aware of other representations which have been received. It would be quite wrong, of course, to give any names. I certainly have not got them with me now.

I am not sure whether Mr. Spruce had got a question which I ought to attempt to answer. I think really his questions are all dealt with in paragraph 10. If you look at paragraph 10 you will see that the Council say that before putting forward the present proposals, the Council and the committees of the district societies considered a number of alternatives, and then we go on to deal with these alternatives. I think his questions were referring to (a) and (e) and the Council have tried to give their reasons there, so I do not think there is any call for me to answer—I think the explanatory notes give the answers.

I have no note of other questions to deal with. I have in front of me the wording of Mr. Maw's amendment. I propose to read it and perhaps he will tell me whether it is correct.

"That the following Clause 6 be made and adopted Clause 6 of the Supplemental Royal Charter, 1948, in substitution for and to the exclusion of the existing Clause 6:

6 (a). An associate of the Institute shall be entitled to be elected a fellow of the Institute who at the time of his application to be elected a fellow has for at least five years next before the time of his said application been an associate and been continuously in practice as a public accountant or has completed ten years' membership of the Institute and is in the opinion of the Council a fit and proper person to be elected a fellow.

6 (b). Exactly as proposed new Clause 7."

Mr. Maw, is what I have read out what you propose?

Mr. Maw: Precisely, sir. I want to make it voluntary and not compulsory.

The President: It is making it optional. Is there a seconder?

Mr. Spruce: I should like to second that, Mr. President.

The President: That amendment has been proposed and seconded, and I think that before I put it I ought to draw the attention of members to (e) at the top of page 4 of the explanatory notes of the Council. It is quite clear there—I will read it—"That fellowship should be extended to all members on an optional basis after five or ten years' membership, with a continued differential in the rates of subscription for fellows and associates. This proposal would be likely to lead to curious results." Then it goes on and it ends: "Thus the whole system would be brought into disrepute." I am drawing your attention to that because it would be quite clear, if this amendment was carried, the Council would have to ask for a poll on that amendment.

May I ask Mr. Maw whether in his amendment he intends there would also be all the consequential amendments which would follow on in regard to the various clauses 8, 9, 10, 11 and so on, and the bye-laws?

Mr. Maw: In my humble opinion, if this amendment were carried, the further amendments to the bye-laws would not be necessary, but I am not a lawyer.

The President: Thank you. I think I ought to advise you that I am told that to be successful the amendment must have a two-thirds majority. Before I put the amendment is everyone clear what the amendment is? I put the amendment to the meeting. Those in favour? Those against? I shall be receiving the numbers later on, but I am sure you will accept

my declaration that the amendment is lost.

I will now proceed to put the resolution which has been proposed by myself and seconded by the Vice-President. Those in favour of the resolution appearing on pages 6, 7 and 8? Those against?

Ladies and gentlemen, I have to announce that the voting on the main resolution is 111 for and 22 against. The resolution is therefore carried, but, as you know, a poll is being called for. (The President read from a paper handed to him.) "In accordance with the provisions of bye-law 97, we, the undersigned members of the Institute, being present and entitled to vote at the above mentioned meeting of the Institute, do hereby demand a poll of all members to be taken on the resolution set out opposite." There are twenty-five names of members of the Institute on this application, so that a poll will be taken.

We have to appoint scrutineers in accordance with the provisions of Bye-law 99. It is suggested that the five members required might be found from the firms in which the auditors of the Institute are respectively partners. That seems to be a practical method of dealing with the matter. It has been ascertained that the gentlemen in question are willing to be appointed. I therefore propose that the following members of the Institute who are present at this meeting be appointed as scrutineers:

Leonard Walter Bingham,
George Francis Ansell,
Bernard William Rivett,
John Francis Taylor,
Leonard Pells.

I will ask the Vice-President if he will second that.

Mr. C. U. Peat: I have pleasure in seconding that proposal.

The President: I do not think there will be any difference of opinion on this one. Those in favour? The five are appointed.

Before I conclude the business, I think I ought to give you the figures of voting on the amendment. There were 9 votes for and 115 against, which confirms my decision that the amendment was not carried.

Thank you, ladies and gentlemen, very much for your attendance. That completes the business of this special meeting.

The proceedings then terminated.

Meetings of the Council

AT SPECIAL AND ordinary meetings of the Council held on Wednesday, June 3, at the Hall of the Institute, Moorgate Place, London, E.C.2, there were present: Mr. W. L. Barrows, President, in the chair; Mr. C. U. Peat, M.C., Vice-President; Mr. J. Ainsworth, M.B.E., Mr. E. Baldry, O.B.E., Mr. C. Percy Barrowcliff, Mr. T. A. Hamilton Baynes, Mr. J. H. Bell, Mr. H. A. Benson, C.B.E., Mr. P. F. Carpenter, Sir William Carrington, Mr. G. T. E. Chamberlain, Mr. D. A. Clarke, Mr. J. Clayton,

Mr. C. Croxton-Smith, Mr. S. Dixon, Mr. W. W. Fea, Mr. J. Godfrey, Mr. G. G. G. Gault, Mr. P. F. Granger, Mr. L. C. Hawkins, Mr. J. S. Heaton, Mr. D. V. House, Sir Harold Howitt, G.B.E., D.S.O., M.C., Mr. J. A. Jackson, Mr. H. O. Johnson, Mr. H. L. Layton, Mr. R. McNeil, Mr. J. H. Mann, M.B.E., Mr. R. P. Matthews, Mr. W. Bertram Nelson, C.B.E., Mr. W. E. Parker, C.B.E., Mr. S. J. Pears, Mr. P. V. Roberts, Mr. L. W. Robson, Sir Thomas Robson, M.B.E., Mr. G. F. Saunders, Mr.

K. G. Shuttleworth, Mr. C. M. Strachan, O.B.E., Mr. J. E. Talbot, Mr. E. D. Taylor, Mr. A. D. Walker, Mr. A. H. Walton, Mr. V. Walton, Mr. M. Wheatley Jones, Mr. E. F. G. Whinney, Mr. J. C. Montgomery Williams, Mr. R. P. Winter, C.B.E., M.C., Sir Richard Yeabsley, C.B.E., with the Secretary and Assistant Secretaries.

Election of President and Vice-President

Mr. Charles Urie Peat, M.C., M.A., F.C.A. (Peat Marwick, Mitchell & Co.), was elected President, and Mr. Sidney John Pears, F.C.A. (Cooper Brothers & Co.), was elected Vice-President for the ensuing year.

The President: Gentlemen, the first item on the agenda of the ordinary meeting is elect a President and Vice-President for

ensuing year. I call upon Sir Thomas Robson.

Sir Thomas Robson: Mr. President and Gentlemen, you may be surprised to see me called upon to propose a name for election as President of the Institute. I am rather surprised myself, particularly as I have never even proposed a Vice-President before. The fact is that Sir Harold Howitt thought it would be improper for him to perform the duty this year; and as nobody can resist his persuasive powers I agreed to do it for him. In persuading me he made it clear that he does not dissent from the proposal I am about to make, but that even if he were to disclose his interest in the result and refrain from voting that would not satisfy his own high standard of the proprieties. I hope and believe that despite all this he will say a word or two in support of my proposal after it has been seconded by Mr. McNeil.

My proposal is that the Council should elect Mr. Charles Urie Peat as President for 1959/60. (*Applause.*) He is well-known to you as a most successful Vice-President. He has carried out admirably his duties in that capacity and we can all have confidence that, if elected as President, he will represent the Institute in external matters and preside over our own meetings in such a way as to uphold the traditions set by his predecessors, not least those set by you, Mr. President, who relinquish office today after a distinguished, successful and, I trust, happy year.

Mr. Garton Ash laid bare the innermost secrets of Mr. Peat's past life when proposing him as Vice-President last year. It is thus unnecessary for me to do that again. I must, however, make a few more points in support of my proposal. Not even one of that anonymous body, the Institute's examiners, knows whether he could have passed the Intermediate examination of our Institute at the time when he was due to sit for it, for he was one of those who obtained exemption from that examination by reason of military service in the 1914/18 war. He became a member of the Institute in 1920, the year in which I was articled, and has therefore long membership behind him.

If my proposal is adopted he will be occupying the Presidential chair which his father vacated fifty-one years ago and—if my memory is correct—will be only the fourth President of our Institute whose father has preceded him in that high office. Others in that category were Sir Arthur Whinney, Sir Nicholas Waterhouse and Mr. Harold Kemp.

Apparently Mr. Peat and I served for a time in the same expeditionary force in the 1914/18 war but as I did not know this when applying for a post with his firm in 1923 I was turned down without even an interview. (*Laughter.*) The result was that I had to wait for over twenty years for the pleasure of knowing and working with Mr. Peat—which came about through his election to the Council in 1944 and his membership of the many committees on which he has served as a member since that time.

He has served the Institute well in these fifteen years and no words of mine are needed to commend him to you. He is partner in a famous firm and has a wealth of world-wide experience which he can bring to the performance of his duties. He plays his part on the stage of public life and finds time for the games and country pursuits which enable a man to keep the mind and the body in harmony with one another. Mr. McNeil will speak to you of these in a moment. Suffice it for me to say that he is an excellent candidate for this election.

I beg, therefore, to propose Mr. Charles Urie Peat be elected President for the ensuing year. I hope that Mr. McNeil will second that and that Sir Harold Howitt will support the proposal. (*Applause.*)

The President: I call upon Mr. McNeil.

Mr. R. McNeil: It gives me very great pleasure to second the proposal of Sir Thomas Robson that Mr. Charles Urie Peat should be the next President of this Institute. Our Institute rightly demands extremely high qualities from all its Presidents and although they must vary from President to President I think it is comparatively rare to find anyone who has had wider experience in other professions than is the case with Mr. Peat, and one who has attained, in those other walks of life, high distinction.

As Sir Thomas said, the remarks of Mr. Garton Ash a year ago require no reiteration but I would like to add to the facts then given in disclosing that in addition to the "Blue" which Charles Peat obtained for cricket at Oxford, his two brothers—Sir Harry and Rod—were also awarded "Blues" for rugby and rowing respectively. In view of the eminence of all three in their profession that should be an encouragement to the articled clerk as in my view it is too often said that high distinction in sport is obtained only at the expense of academic knowledge; and I feel that our Institute is all the better for having amongst its members men who are complete men and not mere human accounting machines.

I feel, therefore, that Charles Peat will bring to our deliberations the scrupulous fairness of the cricket field, courage and leadership from his experiences in the Army, the broad outlook of the politician and the meticulous accuracy of our own profession. I heard a year ago the whole record of his attainments and I confess I looked upon him then with new eyes. In fact, one always examines all the activities of a Vice-President; and I would like to add to the qualities I have outlined his extreme modesty and his willingness at all times to listen to and weigh all the opinions of others.

Already reference has been made to his distinguished father and I could wish that he were here today to see his son rise to the pinnacle of his profession and to know the esteem in which he is held by all members of this Council.

As you know, Mr. President, "good wine needs no bush," and with these few inadequate words I have pleasure in second-

ing the proposal of Sir Thomas Robson.

Sir Harold Howitt: Mr. President, it is extremely kind of you to give me an opportunity to add just a personal word—and it is only a word. I wish to do so if for no other reason than that I may confirm what Sir Thomas has said—that the reason why I did not get up to start with (and I hope I was right) was that I did not feel it quite proper that on such an important appointment it should be suggested by a partner.

I remember very clearly, just exactly two years ago, on the last occasion that we had Sir Bernard Binder with us in this Council Chamber, that I said what a particular pleasure it was to him that he should be able to stay on the Council until he could see his partner and his first articled clerk take the chair. I cannot claim that degree of credit or responsibility (as the case may be) for Mr. Peat; but I would like to say that he has been one of my closest friends for over forty years and a partner for a long portion of that period. He and his wife, who are the best host and hostess I know, have made their home open-house to me over that period. I know all his children—and their various nicknames for me! I cannot say I know all his grandchildren, twenty in number as we say in this Council Chamber. That is probably my own fault.

I would like, Charles, to have this opportunity of saying how delighted I am; and if you are elected—as I am sure you will be—I should like to offer you my congratulations. (*Applause.*)

The President: I put the resolution to the meeting.

The resolution passed by acclamation.

Mr. W. L. Barrows: It gives me the greatest possible pleasure to be the first to congratulate you on your election and to invest you with the badge of your office as President of this Institute. (*Applause.*)

Mr. C. U. Peat (on taking the chair): Sir Thomas, Mr. McNeil, Sir Harold and Gentlemen, obviously my first word must be to say "Thank you very much" and to express my deep appreciation of this great honour you have done me, which, of course, is the highest honour that any accountant can receive from his colleagues. I should like to thank you on behalf of my firm, who have made it possible for me to take this office and I am sure would be disappointed unless I offered to you their thanks; and I should like to thank you on behalf of my family. Reference has been made to my father who was President fifty-one years ago and I only wish that he was alive to be able to congratulate me, and to congratulate himself on my election today.

On my own behalf I thank the proposer and the seconder and Sir Harold Howitt for the very charming things they have said about me. Sir Thomas referred to a tremendous blank in my life; that was the fact that I did not take the Intermediate examination. I think I have never quite recovered from that; and I cannot tell him how sorry I am that he did not even get that interview. (*Laughter.*)

I am a rather particular person from the

point of view of accountancy because ever since I can remember anything I was saturated by things pertaining to the Council. I remember seeing my father's badge of office, when we used to live at Wyckham Rise (Sir Harold will remember that well) and I remember seeing my first Lord Mayor's Show from the window of my father's office in Lothbury. I remember our life always revolved round the Institute. My father was a single-minded man and the Institute was in his mind most of the time.

I am on the threshold of old age and I had got to the point where I felt that my opportunities of serving my profession or the community had ended. Now that I have been elected President I feel rather like the man (if this is not too frivolous) of whom it was sung, in *The Maid of the Mountains*:

"When he thought that he was past love
It was then he met his last love
And he loved her as he'd never loved
before."

During my year as Vice-President, on which Sir Thomas has congratulated me, during which I had very little work to do because the immediate Past President was so efficient that he did not require my services, I did at least have an opportunity of learning more about the work of the Institute and of the problems of high strategy which face the Council. I was also able to enjoy more—and with a great deal of appreciation—the extreme friendliness of my colleagues on the Council and their willingness at all times to help me and to help each other. I believe this Council is one of the most Christian bodies of men that I have ever met; and as far as I am concerned that is the highest thing I could possibly say.

I have also learned to appreciate the wonderful services of the staff of the Institute. To the ordinary member of the Council perhaps that is not quite so obvious; but when one gets higher up the work that they do, the accuracy of their work and their friendly co-operation, is something really to be appreciated. It can only be fully realised when one has experience of it.

In this connection may I say how delighted I am that Mr. MacIver has now entirely recovered and will be able to take his post as Secretary of the Institute in the year when I am President. I think it was a sad loss to the immediate Past President when Mr. MacIver was taken ill last year.

With so much friendliness and such good advice to support me I look forward to my year of office with confidence and pleasure. Although I was not called upon to help Mr. Barrows very much I did have the opportunity of watching the efficient way in which he carried out the duties of his high office. I watched him not only with admiration but with considerable affection and out of our association a friendship has been born which I hope will last with me as long as I live.

Gentlemen, we live in a rapidly-changing world and the changing attributes of the world affect the activities of our Institute. Our Institute now is a very important body.

What we do has repercussions right through the industrial community and further than that. The Institute is, and has been, passing through a period of important change. Under Mr. Lawson we had integration; and nobody could have done more than he did to put that through and make it a success.

Under Mr. Barrows we have had a year of consolidation and now, as I see it, we are entering upon a period of reappraisal—if that is the right word, and I believe it is—though not an agonising reappraisal as the Americans have used the term; rather a steady advance to achieve our known objectives.

In conclusion, may I express once more my deep gratitude for this opportunity which you have given me of serving the Institute which has been so good and kind to me all the years of my life. Thank you, Gentlemen. (Applause.)

Election of Vice-President

The President: The next item on the agenda is the election of the Vice-President. I would ask Sir Harold Howitt to make a proposition.

Sir Harold Howitt: Mr. President—and may I say how pleased I am to be the first to call you that?—it is a great privilege to me, having denied myself one privilege, to be given the opportunity of suggesting a Vice-President; and in some ways it is even more important than the other, because it adds a new face and a new star to the firmament on the dais.

The name I want to suggest to you is that of Mr. John Pears. (Applause.) Much has been made today of sport. Perhaps it is because it is Derby Day; but in passing I would like to start on Mr. Pears by saying he was at Rugby, where he was in the XV—both of which facts endear him to me very much. But that is not his only qualification.

The qualifications that I want to submit to you in respect of Mr. Pears are his qualifications as a man, his distinction in the profession and his service on this Council. Mr. Pears is a senior partner of a great and leading firm of national and international repute. Like Mr. Peat, he follows a father in the firm and it is of interest to note that the period of service of his father and himself in that firm covers no less than seventy-eight years of the firm's 105 years' existence.

His father was a member of this Council until his death in 1932. Otherwise, doubtless, he would have become President; and like Mr. Peat, Mr. Pears' first thought on being elected—if you elect him, as I am sure you will—will surely be how pleased he would have been if his father could have known that he was going to rise to this high office.

I remember Mr. Ernest Cooper, who was one of the founders, before Mr. Pears' father, who was head of the firm at that time, wrote an article or a book which had the title *Fifty Years in an Accountant's Office*. Here I am speaking from memory.

I remember thinking at that time, for I was a young man, "What an awful life sentence!" I little thought that I was going to serve it myself. (Laughter.) Mr. Pears, I wish you the same sentence.

Apart from his work in the firm and in the profession, Mr. Pears has done a tremendous lot of public work which I do not believe is sufficiently known. Both during the last war and since he has done a great deal which has brought credit to the Institute. During the war he was Director of Contracts and Principal Controller of Costs at the Ministry of Supply. He was on the Advisory Committee of the Royal Ordnance Factories. He did innumerable jobs on appointments for the Ministry of Works in connection with cement, aircraft production and other ventures. He has been on many appointments to the Board of Trade in connection with various types of trade—wool, films, export credit and things of that kind. He has done various appointments for the Treasury in connection with overseas Governments. He has been on the Board of Referees of the Inland Revenue and is Accountant-Adviser to the Atomic Energy Authority. Those are only some of his many activities but I think they should be mentioned while we are recording what he has done in his life.

Beyond those things there is his personal position in his firm and his public appointments and it is only right that I should say a word about his work on this Council. As we know, he has been a member of many committees and perhaps one thinks of members of this Council largely in terms of the work we see them do on committees. Both on the Council and on committees Mr. Pears is always robust, forthright, definite in his views—which is a very healthy and helpful way of approaching problems in these days.

I meet him chiefly on the Parliamentary and Law Committee, of which, at the moment, he is still chairman; and I would like to say on behalf of everyone how deeply grateful we are to him for the tremendous work he has done lately as chairman of that committee. For all those reasons I wish to commend to you the name of Mr. John Pears as Vice-President of this Institute.

I believe Mr. Granger is to second this proposition. I told him broadly what I was going to say and he replied, "As usual, you have stolen all my thunder but I still have a few shafts of lightning left!" (Laughter.)

Mr. P. F. Granger: Mr. President, it gives me very great pleasure to second this resolution. When one has to second a proposition of this kind one makes a few inquiries to see if the man is really suitable for the job; and I made my few inquiries. I found only two things which require comment from me. I gather that if there is any sun about anywhere he likes to go and lie in it; and that he firmly refuses to go out at week-ends. That is all I can find against him. When you have said that you have said quite a lot.

In John Pears we have a man with a great record in Government work, a great record in work for the Council and as the leader of a great firm; in addition—and I am sure he will not mind my mentioning this—he will be assisted by a wife who is very charming and delightful. On all these counts, therefore, I have very great pleasure in seconding Sir Harold's proposal. (*Applause.*)

The President: Gentlemen, you have heard it proposed and seconded that Mr. John Pears becomes the Vice-President. Those in favour?

The resolution was passed by acclamation.

The President: I have very great pleasure in investing you, Mr. Pears, with this badge.

Mr. S. J. Pears: Mr. President, Sir Harold Howitt, Mr. Granger, I am, of course, delighted to be elected to this very high office and indeed very deeply honoured. I am particularly pleased, Mr. President, to be associated with you. We have been associated before, at the Ministry of Supply, and I look back on that with the greatest pleasure. I look forward to serving under you and under your guidance and I am sure that we shall have an extremely happy year together.

Sir Harold, Mr. Granger, I have always looked upon you as two of the kindest and most generous men I have ever met. This morning you have more than lived up to your reputation as far as I am concerned. I am very grateful indeed for your references to my father, my firm and my wife. I very much appreciate that.

I am not going to say very much. I did, in fact, enter the profession at the end of the first war, with some reluctance, as an extremely bad articulated clerk. I got through my examinations, unlike most of my predecessors in this office, without any distinction; and I owe everything I have to the association I have had with my firm and with the profession and this Council. It is my earnest hope that during this forthcoming year I can repay a little of what it has done for me and that I may repay some of the many kindnesses I have received from members of this Council. Thank you very much. (*Applause.*)

Vote of Thanks to Retiring President

Sir Richard Yeabsley: Mr. President, I am sure you and all members of the Council, and indeed all members of the Institute, would wish to associate themselves with the vote of thanks that it is my honour to propose to our immediate Past President, Mr. Barrows. To follow such a distinguished line of Presidents, as he did, must at the time have caused him some apprehension as to how he would fulfil the high office then being entrusted to him. Mr. President, we had no doubts whatsoever that he would fulfil that office with great distinction—and we have not been disappointed in the least.

We recall the admirable manner in which he presided over the two general meetings entrusted to him and the autumn meeting; and each of us here will long remember his conduct in the chair that you, Mr. President,

now occupy, at our Council meetings. All of those meetings he conducted with the drive and efficiency of a successful business man, coupled, I submit, with the wise counsel of an eminent accountant.

Tribute has been paid already by you, Mr. President, and by Sir Thomas, to the wonderful work that he has done. We recall, also, his visits to the district societies, the many calls there made upon his time, the admirable speeches he made and the worthy manner in which he upheld his office. We recall, too, the most stimulating address that he gave at the annual general meeting.

I suppose the one thing which will endear him to us was his kindness, his generous hospitality to his colleagues and the thought for others so typically exemplified by the kindness and thoughtfulness that he showed to the staff earlier this year at the time when health and other matters put such a strain upon all concerned with the Institute. He himself has paid tribute and it was he who helped the machine along at that critical time, due to that thoughtfulness with which he is bestowed.

I would like, if I might, to include in this vote of thanks to our immediate Past President our grateful thanks to Mrs. Barrows. She has graced our functions and has spared her husband so much in the service of the Institute; and I hope that Mr. Barrows will convey to Mrs. Barrows our grateful thanks.

I now formally move that a hearty vote of thanks be accorded to Mr. Barrows for the great contribution he has made to the profession and to the Institute as our President. (*Applause.*)

Mr. G. F. Saunders: Mr. President and Gentlemen, it gives me the very greatest possible pleasure to second this proposal which has been made by Sir Richard Yeabsley. When Mr. Barrows was elected Vice-President and took his seat for the first time he was recommended to us by his proposer as one who had not spared himself in his work on behalf of the profession, and had shown outstanding ability and leadership in his Council and committee work. His seconder on that occasion referred to Mr. Barrows' forward-thinking and forward-planning.

Mr. President, Gentlemen, I am sure you will all agree that he has more than fulfilled those commendations during his year of office as President of the Institute. His knowledge of the inner workings of the Institute, gained from a long period of apprenticeship on most of the committees of this Council, showed itself at the outset of his presidency by the confident and able manner in which he presided over the very first Council and indeed all the other Council meetings in this Chamber.

During that time he steered the proceedings of the Council between the Scylla and Charybdis of that sea of recommendations and reports which flow and follow their tortuous course through the pages of that agenda-book before you, Sir, Mr. President, you have referred to the fact that the previous year was one of integration and that

last year might be regarded as the year of consolidation, with the years of progress ahead. Mr. Barrows, whilst President, played his full part not only in the integration but also in the process of consolidation and in the thoughts for the future; and I am quite certain that future generations of accountants will have cause to remember the President who initiated the setting-up of the Parker Committee to review recruitment and training in the profession.

Whilst the President was "in orbit" his progress was keenly watched not only by members of the profession throughout the world but also by members of other professions, by the Civil Service and by Industry and Commerce generally; and those of us here who had had the privilege of "launching" him on his uncharted course have watched with pride the successful progress of his journey. We are particularly pleased to find him looking so well at the end of his arduous travels, travels which took him not only throughout the length and breadth of this land but also to Holland and Denmark, in the interests of the Institute.

Each President, in his turn, is the proud bearer of the torch which has been passed down to us by seventy-nine generations of Presidents and we are indeed grateful to you, Mr. Barrows, for the extremely capable and efficient manner in which you have carried out your duties and have added lustre to this torch during that period. We are also grateful to your wife for her helpfulness and forbearance which has enabled you to carry out those duties.

It gives me very great pleasure, Mr. President, to second the resolution for a vote of thanks put forward by Sir Richard Yeabsley. (*Applause.*)

The resolution was carried with acclamation.

Mr. Barrows: Mr. President, members of the Council, thank you, Sir Richard and Mr. Saunders, for the very generous way in which you have proposed and seconded the vote of thanks, and all the members of the Council for the support which you have given to the resolution. I must say I am very deeply touched. Mention has been made of families and I am going to refer to the fact that early in the last century my forebears, who were Midland businessmen, chose, as their motto; *Agendo quaviter*. Latin scholars might shy at those words but my father told me, as a boy, that they meant: "Whatever you do, do well." A study of a Latin dictionary appears to indicate to me that they mean: "Act diligently." During this year I have tried my best to live up to those words appearing on my family crest.

To serve our great Institute as President over the past year has been a wonderful experience and a great privilege. Sometimes it has been a hard pleasure, but looking back now I can honestly say I have thoroughly enjoyed it. Members in London, the Provinces and on the Continent have been so friendly and helpful and—very important also—I have been blessed with good health. These and many other factors



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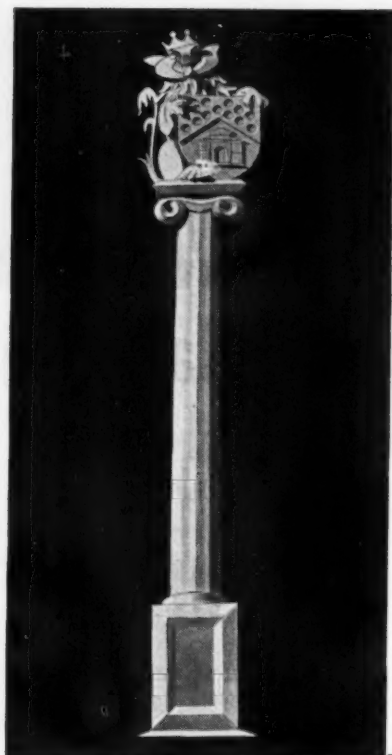
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make me realise that I am a very lucky man and I thank you all for leaving with me so many happy memories.

The burden of the work of the Institute falls on too small a number of willing members. One of our pressing problems is to find ways and means of getting more of our 32,000 members to take an active part in the affairs of the Institute and thus make a positive contribution. During this past year I am glad to have been able to play some small part in the shaping of the structure of the enlarged Institute for the years to come.

Finally, Mr. President, I must express my appreciation for the assistance you gave me as my Vice-President, to Past Presidents, to all members of the Council and of the Institute, the staff of the Institute and my partners and—most important of all—to my wife and family.

Mr. President, I take this opportunity of handing to you a book containing a record of the proceedings of the summer courses. I have written in the book:

"Having obtained much benefit from the Institute Summer Courses I feel that those attending in the future will be interested to have a summary of the proceedings from the beginning and I have much pleasure in presenting to the Institute of Chartered Accountants in England and Wales this record of the Summer Courses."

(Applause.)

The President: Gentlemen, on your behalf we thank Mr. Barrows for this altogether delightful and original thing he has done in giving us this record of the summer courses. I have not had a chance of looking at it but I will leave it here for anyone to look at it at any time they like. Thank you very much indeed, Mr. Barrows. (Applause.)

Re-admission to membership

Subject to payment of the amount required by the Council, one former member of the Institute was re-admitted to membership under Clause 23 of the Supplemental Royal Charter. One application was refused.

Appointments to Committees

The following committees were appointed for the year 1959-60:

President ex-officio member of all Committees other than the Disciplinary and Investigation Committees.

Vice-President ex-officio member of all Committees other than the Disciplinary, Investigation and P. D. Leake Committees.

Applications

E. Baldry, G. T. E. Chamberlain, C. Croxton-Smith, L. C. Hawkins, R. B. Leech, R. McNeil, J. H. Mann, G. F. Saunders, K. G. Shuttleworth, A. H. Walton, V. Walton, M. Wheatley Jones, R. P. Winter, E. K. Wright.

Articled Clerks

T. A. Hamilton Baynes, P. F. Carpenter,

H. O. Johnson, H. L. Layton, R. P. Matthews, Bertram Nelson, J. E. Talbot, M. Wheatley Jones, E. F. G. Whinney, E. K. Wright.

Disciplinary

E. Baldry, W. L. Barrows, T. A. Hamilton Baynes, D. A. Clarke, Sir Harold Gillett, Bertram Nelson, G. F. Saunders, C. M. Strachan, A. D. Walker, M. Wheatley Jones, E. F. G. Whinney, R. P. Winter.

District Societies

J. H. Bell, G. T. E. Chamberlain, C. Croxton-Smith, G. G. G. Goult, P. F. Granger, P. D. Irons, H. O. Johnson, R. B. Leech, R. McNeil, J. H. Mann, R. P. Matthews, F. E. Price, K. G. Shuttleworth, C. M. Strachan, E. D. Taylor, A. D. Walker, J. C. Montgomery Williams, R. P. Winter, E. K. Wright.

Education and Training

W. L. Barrows, P. F. Carpenter, D. R. N. Clarke, H. O. H. Coulson, W. G. Densem, J. S. Ellison, P. F. Granger, D. V. House, N. G. Lancaster, Bertram Nelson, W. E. Parker.

Examination

C. P. Barrowcliff, W. L. Barrows, T. A. Hamilton Baynes, P. F. Carpenter, D. A. Clarke, W. G. Densem, J. Godfrey, J. S. Heaton, D. V. House, J. A. Jackson, R. McNeil, Bertram Nelson, J. E. Talbot, A. D. Walker, A. H. Walton, V. Walton.

Finance

J. Ainsworth, J. H. Bell, H. A. Benson, Sir William Carrington, D. A. Clarke, J. Clayton, S. Dixon, W. W. Fea, Sir Harold Gillett, G. G. G. Goult, P. D. Irons, F. E. Price, P. V. Roberts, E. D. Taylor, J. C. Montgomery Williams.

General Purposes

E. Baldry, W. L. Barrows, Sir William Carrington, P. F. Granger, Sir Harold Howitt, W. H. Lawson, R. McNeil, C. U. Peat, L. W. Robson, Sir Thomas Robson, G. F. Saunders, C. M. Strachan, E. D. Taylor, R. P. Winter, Sir Richard Yeabsley.

Investigation

C. P. Barrowcliff, P. F. Carpenter, C. Croxton-Smith, W. G. Densem, P. F. Granger, D. V. House, J. E. Talbot, E. D. Taylor.

Library

T. A. Hamilton Baynes, J. H. Bell, G. T. E. Chamberlain, D. A. Clarke, J. Clayton, J. Godfrey, J. S. Heaton, R. B. Leech, K. G. Shuttleworth, A. D. Walker, E. F. G. Whinney.

Overseas Relations

W. L. Barrows, Sir William Carrington, D. A. Clarke, W. G. Densem, Sir Harold Howitt, W. H. Lawson, H. L. Layton, W.

E. Parker, Sir Thomas Robson, Sir Richard Yeabsley.

Parliamentary and Law

H. A. Benson, Sir William Carrington, J. Clayton, W. G. Densem, S. Dixon, W. W. Fea, J. Godfrey (co-opted), Sir Harold Howitt, W. H. Lawson, R. G. Leach (co-opted), J. H. Mann, Sir Thomas Robson, G. F. Saunders, C. M. Strachan, J. E. Talbot.

P. D. Leake

W. L. Barrows, P. F. Carpenter, Bertram Nelson, E. F. G. Whinney.

London and District Society of Chartered Accountants

The following members were appointed by the Council to serve on the committee of the London and District Society of Chartered Accountants for the ensuing year:

Mr. D. A. Clarke, Mr. D. V. House, Mr. J. H. Mann.

Taxation and Research Committee

The following Council appointees on the Taxation and Research Committee were re-appointed for the year 1959-60:

Mr. L. H. Clark, Mr. H. O. H. Coulson, Mr. S. M. Duncan, Mr. W. F. Edwards, Mr. A. R. English, Mr. W. S. Hayes, Mr. R. O. A. Keel, Mr. G. P. Morgan-Jones, Mr. L. Pells, Mr. D. W. Robertson, Mr. W. G. A. Russell, Mr. A. E. Spicer.

Autumn Meeting

It was reported that the following statement had been issued on behalf of the Council on May 20, 1959:

Owing to lack of support it has been decided with very much regret to cancel the autumn meeting which it had been proposed to hold at Blackpool in October, 1959. The Council intends to examine the whole question of the holding of such meetings in the light of present day conditions with a view to determining the type and venue of meeting most likely in future to prove attractive and useful, particularly to the younger members of the Institute.

Acceptance of Agencies for Financial Organisations

The Council is aware that whilst for many years some members of the Institute have been accustomed to accept appointments as agents of building societies, insurance companies, and other financial organisations, other members have made a practice of not accepting such agencies. Whilst not expressing at this stage any opinion on the relative merits of these differing practices the Council desires to emphasise that before a member accepts an agency for any organisation he should exercise due caution and in particular:

(a) he should satisfy himself that the acceptance of the agency is not rendered

inappropriate by reason of the nature of the services which the organisation provides or the manner in which its services are or may be advertised, or the manner in which the name of the member or his firm will be publicised; and

(b) where the organisation concerned is one which invites the public to place funds in its hands by way of deposit, investment or otherwise, the member should take all reasonable steps to inform himself, by reference to accounts reports and other available information, as to the apparent soundness of the financial position of the undertaking and as to whether it appears to be properly conducted.

Registration of Articles

The Secretary reported the registration of 107 articles of clerkship during the last month, the total number since January 1, 1959, being 835.

Admissions to Membership

The following were admitted to membership of the Institute:

- §DAVIDSON, GEORGE SMITH; (1959); A.S.A.A., 1936; East African Income Tax Dept., P.O. Box 30165, Nairobi.
 ¶LATHAM, CHARLES FINLAY; A.C.A., 1959; (S. 1953); 178 Birmingham New Road, Lanesfield, Wolverhampton.
 SAMPSON, BRYAN DAVID; A.C.A., 1959; 'Adriano', Gillingham, Beccles, Suffolk.
 SMITH, DONALD; A.C.A., 1959; 36 Park Drive, Sprotborough, near Doncaster.
 THOMPSON, HUGH CRICHTON; A.C.A., 1959; 135 Bradford Road, Coombe Down, Bath.
 WYNNE, DEREK LONGWORTH; A.C.A., 1959; 'The Island', Braithwaite, Keswick, Cumberland.

Elections to Fellowship

The following were elected to fellowship:

- DAWSON, ARTHUR WILLIAM; A.C.A., 1950; (Moore & Smalley), 9 Chapel Street, Preston.
 FLETCHER, DENNIS JACK; A.C.A., 1950; (H. V. Greenwood & Co.), 11 Broad Street, Manor Row, Bradford, 1.
 HUGHES, KENNETH; A.C.A., 1949; (J. & H. S. Metcalf), 10 St. Andrew's Crescent, Cardiff.
 LANGDON, RICHARD NORMAN DARBEY; A.C.A., 1947; (Spicer & Pegler), 19 Fenchurch Street, London, E.C.3.
 LOCKE, RONALD HARRY; A.C.A., 1932; (Barton, Mayhew & Co.), Regency House, St. Helier, Jersey.
 MILLARD, NORMAN JOHN; A.C.A., 1950; (Kennedy, Fox, Oldfield & Co.), 238/243 Temple Chambers, Temple Avenue, London, E.C.4.
 MULLEN, PETER ARTHUR GLANVILLE, M.A.; A.C.A., 1951; (Mullens & Robinson), 73 Station Road, Port Talbot, Glam.
 NEWMAN, THEODORE; A.C.A., 1953; (T. J. Newman & Co.), Bank Chambers, 214 Bishopsgate, London, E.C.2.
 NIGHTINGALE, JAMES DARRELL; A.C.A., 1958; (S. 1948); (†Hays, Akers & Hays), 30 Cursitor Street, Chancery Lane, London, E.C.4.
 NURDEN, DONALD BRODERICK; A.C.A., 1951; (James Todd & Co.), 781 Salisbury House, London Wall, London, E.C.2, and at Chichester.
 PALLOT, ALEXANDER GLEN; A.C.A., 1958; (S. 1937); (Richard Leyshon & Co.), 128/129 Bute Street, Cardiff, and at Milford Haven and Neath.

PATEL, JAMSHED PESHOTAN, M.A., A.C.A., 1945; (A. F. Ferguson & Co.), 13 Dinga Singh Building, The Mall (P.O. Box 39), Lahore, W. Pakistan, and at Karachi.

PERKINS, GEORGE VICTOR; A.C.A., 1931; (Roland Dawes & Co.), Neville House, 42-46, Hagley Road, Birmingham, 16.

PHILLIPS, LEONARD HORACE; A.C.A., 1958; (S. 1930); 29 Quay Street, Carmarthen.

POCOCK, CYRIL ARCHIE; A.C.A., 1954; (†Norman Alexander & Co.), 19 Bolton Street, London, W.1.

SMITH, HOWARD BRIAN; A.C.A., 1954; (*Howard R. Smith & Co.), Eagle Star House, 11 Station Road, Kettering, Northants.

TARRY, BERTRAM CHARLES; A.C.A., 1958 (S. 1935); (Pratt, Tarry & Co.), 41 Oxford Street, and (James & Sanders) and (Baker & Co.), 119 Midland Road, Wellingborough, Northants; (for other towns see Baker & Co., W. Cecil Owen & Co., and McPherson, Timmins & Ednie).

WHITING, ANTONY JOHN; A.C.A., 1952; (*Larking, Larking & Whiting), 12/13 The Crescent, Wisbech, (for other towns see *Larking, Larking & Whiting).

WILKINS, STANLEY PERCIVAL; A.C.A., 1944; (†Deloitte, Plender, Griffiths & Co.), and (*Deloitte, Plender, Haskins & Sells), 5 London Wall Buildings, Finsbury Circus, London, E.C.2; (for other towns see †Deloitte, Plender, Griffiths & Co., *Deloitte, Plender, Haskins & Sells).

WOOLF, LEONARD; A.C.A., 1958; (S. 1951); (†Wm. H. Jack & Co.), 12 Buckingham Street, Strand, London, W.C.2.

Members Commencing to Practise

The Council received notice that the following members had commenced to practise:

- AUSTIN, CLIVE; A.C.A., 1958; (S. 1955); (*Stanley Gorrie, Whitson & Co.), 9 Cavendish Square, London, W.1.
 BINDON, SYDNEY ALBERT; A.C.A., 1930; 65 Forest Road, Torquay.
 BODINETZ, LIONEL WALTER; A.C.A., 1959; (Lionel W. Bodinetz & Co.), 75A Hampton Road, Forest Gate, London, E.7.
 BOLTON, WILLIAM ANDREW; A.C.A., 1956; (W. Bolton & Co.), Kings House, 42 King Street West, Manchester, 3.
 BOWICK, BERNARD JOHN; A.C.A., 1937; (Barton, Mayhew & Co.), Regency House, St. Helier, Jersey, C.I.
 BRAINT, RICHARD BRIAN; A.C.A., 1959; (Carr Brait & Son), West Walk House, 99 Princess Road, Leicester.
 BURTON, MICHAEL CHARLES PEARSON; A.C.A., 1958; (S. 1956); (A. P. Burton & Co.), 14 Devonshire Street, Keighley, Yorks, and at Skipton.
 CALDER, DESMOND JAMES; A.C.A., 1959; (W. J. Calder, Sons & Co.), 90 Jermyn Street, London, S.W.1.
 CHANNON, GORDON ANTHONY; A.C.A., 1959; (Yeo & Co.), 11 Heavitree Road, Exeter.
 CHRISTIE, JOSEPH; A.C.A., 1959; (†Armitage & Norton), Station Street Buildings, Station Street, Huddersfield.
 COHEN, NORMAN ALAN, B.A.; A.C.A., 1958; (S. 1955); (Cohen, Norman & Co.), 141 Stamford Hill, London, N.16, and 32 Darenth Road, London, N.16.
 COOK, ERNEST PETER; A.C.A., 1958; (S. 1949); (Clifford Towers, Temple & Co.), 5/6 Bucklersbury, London, E.C.4.
 GORDON, ALAN SIMON; A.C.A., 1958; (S. 1952); 6 Beechcroft Avenue, London, N.W.11.
 GOTHARD, RONALD; A.C.A., 1958; (McCann, Humphreys & Co.), Queen's Chambers, 5 John Dalton Street, Manchester, 2.

HIGGINS, RICHARD JAMES; A.C.A., 1957; 85 East Hill, Wandsworth, London, S.W.18.

HIGHLEY, IAN GODFREY; A.C.A., 1950; (West & Drake), 16 Market Place, Reading, and at London, Newbury and Sherborne.

HIRD, ERIC; A.C.A., 1958; (S. 1954), (E. Robertshaw Myers, Haywood & Co.), 17 Devonshire Street, Keighley, Yorks.

HULME, FRANK; A.C.A., 1958; (S. 1937); (Bourner, Bullock & Co.), Ford House, Leek, Staffs, and at Congleton, Hanley, and Stoke-on-Trent.

KIRBY, PAUL BREAKSPEAR; A.C.A., 1949; (Moore, Stephens & Co.), Bucklersbury House, Bucklersbury, London, E.C.4.

KNOWLES, SAMUEL ASHWORTH; A.C.A., 1937; (Nuttall & Knowles), 19 Hyde Road, Denton, Manchester.

§KROLL, DAVID; A.S.A.A., 1959; (David Kroll & Co.), 35 Dover Street, Piccadilly, London, W.1, and at Edgware.

MACKENZIE, JOHN HUGH; A.C.A., 1939; (Moore, Stephens & Co.), Bucklersbury House, Bucklersbury, London, E.C.4.

MARKS, ANTHONY GORDON HENRY; A.C.A., 1955; 54 Chestnut Avenue, Ewell, Surrey.

MARZELL, STEWART DAVID; A.C.A., 1958; 28 Claremont Road, Forest Gate, London, E.7.
 OATES, KEITH HAROLD; A.C.A., 1958; (S. 1949); (Viney, Price & Goodyear), Empire House, St. Martins-le-Grand, London, E.C.1.

OZEROVITCH, JACK; A.C.A., 1958; (Jack Ozerovitch & Co.), 14 Farningham Road, Tottenham, London, N.17.

PAGE, JOHN MICHAEL; A.C.A., 1953; (Larking & Larking), 9 Red Lion Street, Norwich, and at Ashford, Canterbury, Dereham, Maidstone, Sittingbourne and Winslow.

PIMLOTT, KENNETH GEORGE; A.C.A., 1958; (Boyer, Thwaites & Co.), and (Edward Bedell, James & Co.), 17 Brazennose Street, Manchester, 2.

PINNICK, JEFFREY JOSEPH; A.C.A., 1959; (J. J. Pinnick & Co.), and (*Pinnick, Simmons & Co.), Bank Chambers, 214 Bishopsgate, London, E.C.2.

PITTS, JAMES MICHAEL; A.C.A., 1952; (Impey, Cudworth & Co.), 48 Calthorpe Road, Edgbaston, Birmingham, 15, and at London.

SHALET, STANLEY ALAN; A.C.A., 1959; (Alan Shalet & Co.), 41 Leasway, Westcliff-on-Sea, Essex.

SLAVIN, ALAN; A.C.A., 1958; 5 Middleton House, Middleton Road, London, E.8.

STEEL, WILLIAM; A.C.A., 1958; (S. 1951); 13 Wantage Street, South Shields, Co. Durham.

STROUD, DAVID ARTHUR; A.C.A., 1958; (C. A. Nicholas & Co.), Victoria Chambers, Victoria Street, Merthyr Tydfil, Glam.

THOMPSON, HUGH REGINALD PATRICK; A.C.A., 1958; (A. E. Limehouse & Co.), 24 Market Place, Rugby.

WALKER, JEAN-PHILIPPE MARIE, B.A.; A.C.A., 1956; (Whitaker & Redfearn), Market Place, St. Ives, Cornwall, and at Penzance; also at Camborne (Tyack, Whitaker, Redfearn & Co.).

WATMOUGH, HEDLEY LOUIS; A.C.A., 1940; 7 Axholme Road, Doncaster.

§ Means "incorporated accountant member."

¶ Means "member in practice"

Firms not marked † or * are composed wholly of members of the Institute.

† Against the name of a firm indicates that the firm, though not wholly composed of members of the Institute, is composed wholly of chartered accountants who are members of one or another of the three Institutes of chartered accountants in Great Britain and Ireland.

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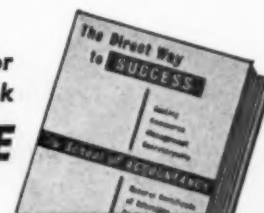
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WATTS, TERRY MARCEL; A.C.A., 1955; (T. M. Watts & Co.), 32 Park Drive, Winchmore Hill, London, N.21.

WILKIE, KENNETH MILN; A.C.A., 1948; (Moore, Stephens & Co.), Bucklersbury House, Bucklersbury, London, E.C.4.

Changes of Name

The Secretary reported that the following changes of names had been made in the Institute's records:

ARTHUR LEONARD SANDEMAN ALLEN, to ARTHUR LEONARD SANDEMAN-ALLEN.
GRACE CORNELIA COX-BREWER, to GRACE CORNELIA COX.

Resignations

The Council accepted the resignation from membership of the Institute of:

SMEE, CYRIL WALTER, B.A.; F.C.A., 1945; A.C.A. 1934; 178 Charing Cross Road, London, W.C.2.

Deaths of Members

The Council received with regret the Secretary's report of the deaths of the following members:

ANDERSON, GEORGE SELTH, F.S.A.A., Melbourne.

BEESON, WILLIAM ANDERSON, A.C.A., Norwich.

BURROWS, NORMAN JOHN, A.C.A., Frome, Jamaica.

FISHWICK, HAROLD, A.C.A., Barnsley.

GARTON, GEOFFREY ALAN, F.C.A., Reading.

GLASS, ALFRED JAMES, F.C.A., Liverpool.

HARRISON, WALTER, A.C.A., Chesterfield.

JACOB, ALEXIS, F.C.A., London.

LEWES, ARTHUR HAROLD, M.A., A.C.A., Hanworth.

PIRRIE, JAMES VOCE, A.C.A., Exmouth.

RAMSDEN, RUFUS, A.C.A., Aylesbury.

ROBINSON, DEREK WILLIAM, A.C.A., Sale.

SMITH, JOHN JOSEPH, F.C.A., Gateshead.

TEMPLE, CHARLES GORDON, F.C.A., London.

Findings and Decisions of the Disciplinary Committee

Findings and Decisions of the Disciplinary Committee of the Council of the Institute appointed pursuant to bye-law 103 of the bye-laws appended to the supplemental Royal Charter of December 21, 1948, at hearings held on May 5, 1959.

A formal complaint was preferred by the Investigation Committee of the Council of the Institute to the Disciplinary Committee of the Council that Max Stuart Frank, A.C.A., had been guilty of an act or default discreditable to a member of the Institute within the meaning of Clause 21, sub-clause (3), of the supplemental Royal Charter in that he committed an act of bankruptcy within the meaning of Section 1 (1) (g) of the Bankruptcy Act, 1914, as a result of which a Receiving Order under the provisions of the Bankruptcy Acts, 1914 and

1926, was made against him on January 28, 1959, so as to render himself liable to exclusion or suspension from membership of the Institute. The Committee found that the formal complaint against Max Stuart Frank, A.C.A., had been proved and the Committee ordered that Max Stuart Frank, A.C.A., of "Greengates," Lucknow Drive, Mapperley Park, Nottingham, be excluded from membership of the Institute.

A formal complaint was preferred by the Investigation Committee of the Council of the Institute to the Disciplinary Committee of the Council that Harold Stephen Hope, A.C.A., had been guilty of acts or defaults discreditable to a member of the Institute within the meaning of Clause 21, sub-clause (3), of the supplemental Royal Charter in that (a) he failed to fulfil a verbal undertaking given in the course of proceedings before the Disciplinary Committee of the Institute on December 3, 1958, in respect of the liquidation of a limited company; (b) he failed to reply to a letter from the Institute dated February 10, 1959, so as to render himself liable to exclusion or suspension from membership of the Institute. The Committee found that the formal complaint against Harold Stephen Hope, A.C.A., had been proved under both headings and the Committee ordered that Harold Stephen Hope, A.C.A., of 3 Imperial Buildings, Addiscombe Road, Croydon, Surrey, be excluded from membership of the Institute.

A formal complaint was preferred by the Investigation Committee of the Council of the Institute to the Disciplinary Committee of the Council that a practising member of the Institute had been guilty of an act or default discreditable to a member within the meaning of Clause 21, sub-clause (3), of the supplemental Royal Charter in that he failed to ensure that his firm communicated with the auditor of a limited company before accepting nomination as auditors of that company, so as to render himself liable to exclusion or suspension from membership of the Institute. The Committee found that the formal complaint had been proved and ordered that the member be reprimanded, but the Committee considered that there existed special circumstances justifying the omission of his name from the publication of the Finding and Decision.

Members' Library

THE THIRD CUMULATIVE supplement to the *Short List of Books* has now been issued. Copies, which contain additions to March, 1959, will be sent to members by the Librarian, free and post free, on receipt of an addressed label. Copies of the last edition of the *Short List*, published in August, 1957, are still available.

District Societies

EAST ANGLIAN



MR. C. H. SUTTON, F.C.A.

Mr. Cecil Harry Sutton, F.C.A., is a partner in the firm of Harper-Smith, Moore & Co., Norwich and Felixstowe.

He qualified as a member of the Society of Incorporated Accountants in 1927, and became a Fellow in 1946. He is a former President and Hon. Secretary of the Incorporated Accountants' District Society of East Anglia, and was a member of the Council of the Society from 1956 till the date of integration. It is believed that Mr. Sutton is the first ex-Incorporated member to be elected as President of a District Society. The East Anglian Society of Chartered Accountants demonstrated the effectiveness of integration by unanimously electing Mr. Sutton as Vice-President at its first annual general meeting held after integration had taken place.

Mr. Sutton has been a member of the Norwich City Council since 1947, and is Chairman of the Norwich Conservative Association. He was Deputy Lord Mayor of Norwich in 1953/54, and Sheriff in 1956/57. He acts as Hon. Secretary of the Norfolk and Norwich Triennial Musical Festival.

OFFICERS HAVE BEEN elected as follows: President, Mr. C. H. Sutton, F.C.A.; Vice-President, Mr. A. N. Myers, A.C.A.; Hon. Secretary and Treasurer, Mr. H. Robinson, F.C.A.

Mr. G. S. H. Dicker retired from the Committee after serving for several years. Mr. L. V. Slater, Mr. A. N. Myers, Mr. A. E. Shaw and Mr. K. T. Boardman were re-elected members of the Committee.

Report

The membership is 276. Active branches have been formed at Cambridge and in the Ipswich/Colchester area.

Mr. F. J. Eves continues as Chairman of the District Taxation and Research Committee. Mr. F. W. Morris, the Vice-Chairman, has resigned on removal from the district. The Committee records its

appreciation of his wise counsel over many years. Mr. Eves has been joined by Mr. B. D. Shaw on the Taxation and Research Committee of the Institute: Mr. Shaw succeeds Mr. G. G. Goult, who is congratulated on his election to the Council.

Mr. A. S. H. Dicker retired from the Committee during the year, and is thanked for his many services since the formation of the District Society twenty-five years ago. He has been President of the Institute, and twice President of the District Society.

LEICESTERSHIRE AND NORTHAMPTONSHIRE

THE FOLLOWING OFFICERS have been elected: President, Mr. J. B. Corrin, F.C.A.; Vice-Presidents, Mr. W. G. Fox, T.D., D.L., J.P., M.A., F.C.A., and Mr. C. R. Riddington, F.C.A.; Librarian, Mr. W. E. Willis, D.F.C., B.A., F.C.A.; Secretary and Treasurer, Mr. G. L. Aspell, T.D., D.L., F.C.A.; Asst. Secretary, Mr. R. F. Watkins, A.C.A.



MR. J. B. CORRIN, F.C.A.

Mr. John Bowes Corrin has been elected President of the Leicestershire and Northamptonshire Society of Chartered Accountants. For the last ten years Mr. Corrin has been a partner in Messrs. Baker & Co., Chartered Accountants, the firm in which he served articles. He qualified in 1945, being awarded the prize for Auditing in the Final Examination of the Institute.

Mr. Corrin was Assistant Secretary to the District Society from 1949 to 1958.

Mr. Corrin's main outside interest is in local politics: he is chairman of Northampton Conservative and Unionist Association, and has been a member of the county borough council for ten years.

He is a member of the Chartered Accountants' Golfing Society, and a tennis player.

Report

The membership is 467, representing one of the highest percentages of actual to potential membership among the Institute district societies.

A dinner and luncheon and evening meetings have been held.

The Peterborough Group held a well-attended dinner and intends to start a library.

The Committee records its appreciation of the work of Mr. J. D. Reekie and Mr. J. W. Walkden on the Taxation and Research Committee of the Institute, and of Mr. G. T. E. Chamberlain on the Council.

LEEDS, BRADFORD AND DISTRICT Management Accounting Course

THE LEEDS, BRADFORD and District Society will hold its third Residential Course on Management Accounting at the Old Swan Hotel, Harrogate, from November 13 to 15.

Professor Robert Browning, M.A., LL.B., C.A., of the University of Glasgow and Mr. Christopher Bostock, M.A., F.C.A., have promised to give papers.

A number of places will be reserved for members of other district societies. The Course Secretary is Mr. H. Anderson, F.C.A., 26 Park Row, Leeds 1.

LIVERPOOL

MR. C. J. PEYTON, A.C.A., has been elected President, Mr. J. M. Harvey, F.C.A., Vice-President, and Mr. J. M. Harrison, T.D., B.A., F.C.A., Hon. Treasurer. Mr. Stanley Morris, F.C.A., was re-elected Honorary Secretary.

The annual general meeting was held on May 11.

The President, Mr. J. F. Allan, spoke of the benefits derived from integration and the enthusiastic support given by former members of the Society of Incorporated Accountants. They in Liverpool were pleased to find Mr. Bertram Nelson and Mr. John Ellison among the members of the Parker Committee on conditions of entry and training: the District Society had submitted a memorandum to the Committee and was now formulating a further expression of views.

The year had seen the successful launching of their third branch—the Isle of Man Branch—and of a study group for younger members. The Management Accounting Course at Chester, now organised annually in conjunction with the Merseyside Productivity Association, demonstrated that they were aware of their responsibilities towards the commercial and industrial community.

They were proud of their four Council members and two representatives on the main Taxation and Research Committee. Thanks were due to the members of the District Society Committee and of the Recruitment and other sub-committees, and to the officers, particularly the Honorary Secretary.

The report and accounts were adopted. Mr. E. N. Macdonald was re-elected and Mr. K. Duncan and Mr. A. P. Whyte were elected members of the Committee.

Votes of thanks were accorded to the Honorary Auditors and to the President.

Report

The membership has increased from 656 to



MR. C. J. PEYTON, A.C.A.

Mr. Christopher John Peyton, President of the Liverpool Society, was educated at King's School, Warwick, and served his articles with Mr. W. H. Newton, F.C.A., then senior partner of Messrs. Gibson and Ashford, Birmingham. He qualified as a member of the Institute in 1935, and at the end of the following year he left his principal's firm to join Fodens Ltd., Sandbach, Cheshire. He is now Financial Comptroller of Fodens Ltd., a director of Fodenway N.V. (Holland) Ltd., and secretary of Fodens (South Africa) (Proprietary) Ltd.

Mr. Peyton is a member of the Taxation and Research Committee of the Institute and of the Regional Taxation and Research Committee of the District Society. For twenty-five years he has specialised in management accounting and controllership in industry.

He is chairman of Crewe and Nantwich Rugby Club and a member of the Lancashire County Cricket Club. He was founder-chairman of Sandbach Round Table, and later became Treasurer of Round Table Area 22.

971, including 136 members of the Chester and North Wales Branch, 108 of the South Lancashire Branch, and 36 of the newly-formed Isle of Man Branch.

Awards from the Alan Cookson Prize Fund were made to G. B. Beamer and D. S. Hewitt. A prize fund for intermediate candidates has been formed from part of the funds of the Incorporated Accountants' District Society of Liverpool. The Committee congratulates winners of Institute prizes and certificates of merit in 1958: R. Badger, M. C. Roberts and G. A. Maxwell (Intermediate), M. G. Lyon (Final).

Mr. E. N. Macdonald is congratulated on his appointment as chairman of the Taxation and Research Committee of the Institute. Mr. J. H. Bradley has been elected a governor of the Liverpool College of Commerce.

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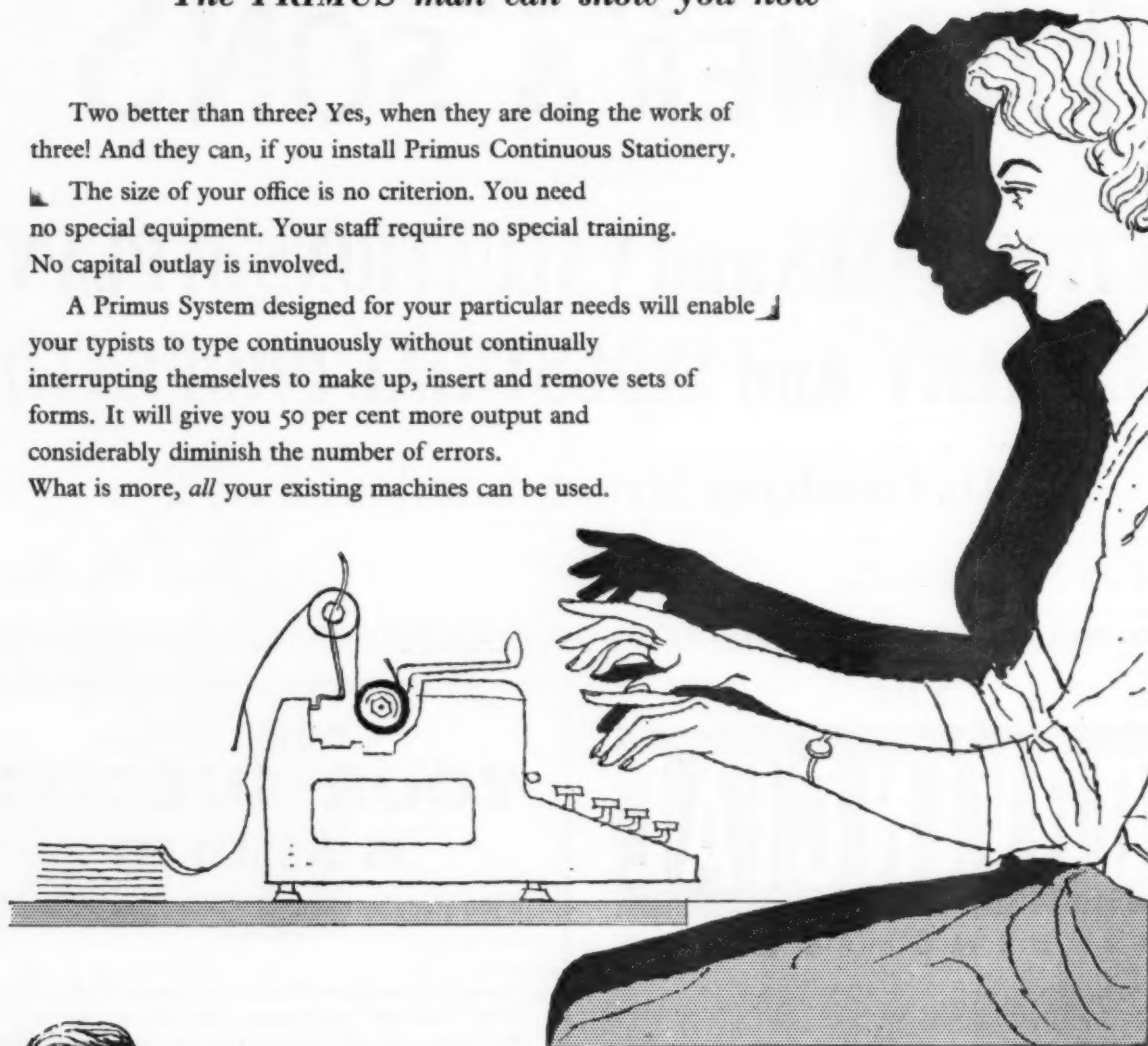
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LONDON

Annual General Meeting

MR. C. W. ASTON, A.C.A., *Chairman of the London and District Society, presided at the annual general meeting in the Oak Hall of the Institute on May 26. In proposing the adoption of the report and accounts, he said:*

This is the first year for which accounts have been submitted. Previously all expenses were paid by the Institute, but, as is stated in the report, the Council has now decided to make the Society an annual grant. This change has necessitated the preparation of accounts and your Committee has thought it desirable to appoint auditors to audit them.

At the conclusion of this meeting there will be a special general meeting to consider alterations to the rules, including one dealing with the appointment of auditors. We are grateful to Messrs. Sydenham, Snowden, Nicholson & Co. for acting in that capacity for the past year.

Recruitment to the Profession

A summary of the activities of the Committee is set out in the report and I would like to mention specially the work of a small team which, under the direction of Mr. Appleyard, tries to spread knowledge of the profession among school-leavers and school careers masters. It is a most valuable work carried out unostentatiously in the interest of recruitment to the profession. If any member of the Society would like to help in this work in his own area I know Mr. Appleyard will be pleased to hear from him.

Attendance at Lectures

At the last two annual general meetings the Chairman has had to deplore the poor attendance at lectures, and I am glad that during the past year there has been a great improvement. Your Committee has tried to arrange lectures of practical interest, but, even so, on only one occasion was the Oak Hall full. I hope, therefore, that members will not relax their efforts to ensure good attendances. It is only by so doing that they can show their appreciation of the efforts made by the lecturers who so kindly give up their time to further the interests of the Society.

Discussion Groups

The report refers to the Discussion Groups which meet periodically during the year in London, Bedford and Luton. As well as giving members of the profession opportunities to exchange views on matters of common interest, I regard the discussion groups as a valuable training ground. If the profession is to prosper, there must be a constant supply of men coming forward who are prepared to take a lead in the various activities of the District Society as Group Leaders, Discussion Group Secretaries, Committee members, and also, I might add, as lecturers to the Students' Society. No organisation can prosper unless there are men and women who are prepared to serve their fellows by maintaining the succession.

I would like to appeal to the more senior members of the profession, both in practice and in industry, to ensure the success of the Discussion Groups by encouraging the younger members to join and actively support them.

Autumn Meeting

The past year has seen the holding in London of the first Autumn Meeting to be organised by the District Society since its formation in 1942 and, indeed, the first in London since 1921. Preparations for this event extended over two years and the burden was shared among all members of the Committee. To them and to the co-opted members of the Autumn Meeting Committee, all of whose names are recorded in the programme of the Meeting, I would like to offer my congratulations on the success of their efforts and my thanks for their loyal support. The Committee received the thanks of the Council of the Institute for a successful Meeting.

Residential Conference

A second event of special interest during the year has been the residential three-day conference at Eastbourne in March on management accounting, under the able chairmanship of Mr. Norman Cassleton Elliott. I would like to congratulate him and his sub-committee on a most successful occasion. The blending of practising and non-practising members in a common purpose is perhaps seen at its best in the short residential conferences that the Society organises, and I think it is important that in planning such conferences adequate time should be allowed for members to meet each other and discuss problems of mutual interest outside the programmed sessions.

A question addressed to one of the speakers at the Conference was "What makes a business tick?" and that led me to ask myself "What makes the Society tick?" There is no doubt at all in my mind that the answer is that it is the individual members. It is they who keep the Committee on its toes. It is their reactions that make or mar the success of the functions organised by the Committee. In the long run the Society will not prosper without a keen body of members, however good the Committee. Their keenness is shown in a variety of ways, not least when experienced and less experienced members meet together at residential conferences, in discussion groups, and at Summer Courses, discuss subjects of mutual interest and help in advancing knowledge and forming opinion on subjects of professional importance. And so our thanks are due to everyone who helped to make a success of the residential conference at Eastbourne, in particular the speakers and group leaders and those others, already knowledgeable on management accounting, who attended the conference as ordinary members.

Service to the Institute

There is another field which offers the advantage of contacts and discussion with



MR. J. D. RUSSELL, M.A., F.C.A.

Mr. J. D. Russell, the new Chairman of the London and District Society, is a partner in the firm of Binder, Hamlyn & Co., Chartered Accountants, of London, Manchester, Sydney and Melbourne.

He was born in 1911 and was educated at Malvern and at University College, Oxford, where he obtained a Law Degree in the Honour School of Jurisprudence. He was called to the Bar at Lincoln's Inn in 1932. In the same year he joined Messrs. Binder, Hamlyn & Co. as an articled clerk; he qualified as a Chartered Accountant in November, 1935, and remained with the firm's London Office until the outbreak of war in 1939.

During the war Mr. Russell served in the Royal Naval Volunteer Reserve, mainly at sea but also for a time on the Naval Staff. At the termination of the war he was serving as Executive Officer of an Escort Carrier with the rank of Commander.

After the war he returned to Binder, Hamlyn & Co.; he was admitted to partnership on January 1, 1948, and he became a Fellow of the Institute in 1953.

Mr. Russell was elected to the Committee of the London and District Society in 1953 and he has served on the main Committee and a number of sub-committees since that time. In 1958 he took an active part in organising the Institute Autumn Meeting in London. He was Chairman of the London Regional Taxation and Research Committee and Vice-Chairman of the main committee for 1958/59.

Mr. Russell's principal relaxation is sailing in his 16-ton yacht with his wife and two children.

one's fellow members in practice and in industry and commerce—which can be of the greatest value, particularly to the member not in practice. I refer to active participation in the work of the Institute through one or more of the numerous

committees of the Council and of the District Societies.

It used to be said, perhaps with some justification, that the Council was not interested in members who "left the profession", as it was expressed, to take a post in industry or commerce. However true that may have been it is certainly not true to-day. The last revision of the Charter recognised their importance in the scheme of things; seats on the Council are reserved for members not in practice; the Taxation and Research Committee was set up in July, 1942, and its members were intended to be drawn equally from among practising and non-practising members; and the rules of our District Society make eight places on the Committee available to accountants not in practice nor employed in practice. More recently the Non-Practising Members' Consultative Committee has been set up by the Council.

Until one has taken part in Institute work it is hard to realise how invaluable it is to the accountant in industry who wishes to keep abreast of current developments and exchange ideas on professional subjects, and if one wishes to descend to sordid terms of profit and loss I venture to assert that it pays dividends.

But these advantages cannot be obtained for nothing. Institute work makes demands on one's time which frequently cannot be met without a certain amount of self-discipline, nor can the work be undertaken successfully by an accountant in industry unless his management will allow him adequate free time in business hours.

The opportunities to serve are there, but unfortunately there is often some difficulty in finding members in industry and commerce to fill the places available to them on the various committees of the Council and the District Society. Boards of industrial concerns usually encourage members of their staffs who are engineers, chemists or other technologists to participate in the activities of their professional bodies. Unless it were so, those bodies could not flourish, for few of their members are in public practice. Accountants, who also provide an important specialised aid to management, need the same facilities.

An increasing proportion of the members of the Institute are finding their way to the non-practising side of the profession, and I think it is true to say that the business community would be the poorer without the constant stream of qualified accountants that results from the training provided by the profession. And so I would like to urge Boards of directors and those of our members who are in responsible positions in industry and commerce to encourage members on their staffs to serve the Institute to which we all owe so much.

Benevolent Association

This is a convenient occasion to remind you that the Benevolent Association exists to relieve distress among members of the Institute and their dependants. It is difficult for the Committee of the Benevolent Asso-

ciation to hear of deserving cases and members are asked to bring to the notice of that Committee any of which they become aware.

Thanks to Committee

I would like to thank the Vice-Chairman, Mr. John Russell, for his support during the year and for acting for me during my two months' absence abroad last autumn. I am grateful to the Committee for all they have done, individually and collectively, during the year.

The report mentions the election to the Council of two members of the Committee, Mr. Matthews and Mr. Wright, and I would like to congratulate them on your behalf. Mr. Matthews' last service to us was to act as chairman of a sub-committee which prepared a report for submission by the Committee of the Society to the Parker Committee which is considering education and training for the profession. Mr. Wright has worked unsparingly to arouse support for the formation of new district groups, and the new groups in Beds., Bucks. and Herts. and in Oxford owe a great deal to his driving force.

Finally, thank you to the secretariat and staff of the Institute, on whom we still rely for duplicating and addressing communications to our members and the Committee, and last but not least, thank you to our cheerful Secretary, Mr. Cooke, ever industrious in organising dinners and residential conferences in addition to all the routine work of the Society. Here I must digress for a moment to recall that the guiding principle governing the past season of lectures has been to offer something of practical interest. This so inspired our secretary that he decided to stage a demonstration of his own. The result is to be seen at the end of the annual report that is in your hands. The use of the word "Honourable" instead of "Honorary" by the printers provides a vivid warning of the danger of making last minute alterations in printed reports when there is no time to obtain a further proof.

Elections to Committee

AFTER THE ADOPTION of the report and accounts, it was announced that the poll for membership of the Committee had resulted in the election of the following:

Members in practice: Mr. N. Cassleton Elliott, M.A., F.C.A.; Mr. G. R. Appleyard, F.C.A.; Mr. A. C. Simmonds, F.C.A.; Mr. G. C. Peat, A.C.A.; Mr. D. Garrett, A.C.A.; Mr. B. A. Maynard, M.A., F.C.A.

Members neither in practice, nor employed in the service of a practising accountant: Mr. J. A. B. Keeling, D.F.C., M.A., A.C.A.; Mr. S. L. Pleasance, F.S.A.A.; Mr. D. Napper, A.C.A.

Election of Chairman and Vice-Chairman

At a meeting of the Committee held on June 9, Mr. J. D. Russell, M.A., F.C.A., was elected Chairman, and Mr. G. R. Appleyard, F.C.A., Vice-Chairman.

Southend-on-Sea Group

ON MAY 29, the Southend-on-Sea Chartered Accountants' Group had their most unusual meeting, when they were the guests of Associated-Rediffusion Ltd. at the Wembley Television Studios. After a buffet supper the Group toured the control rooms and studios (where they watched rehearsals for the programme "Hooray & Co.") and then watched the programme. A very interesting and instructive evening ended with an informal party to meet the cast.

South West London Discussion Group

THE 1958/59 SESSION provided a further encouraging increase in membership, and all meetings were well attended. Mr. R. O. A. Keel acted as liaison officer with the London and District Society Committee.

At the annual dinner the guests were Mr. J. A. Jackson, member of the Council, and Mr. C. V. Best.

The Chairman for 1959/60 is Mr. R. K. King. Mr. B. C. Berkinshaw-Smith continues as Treasurer. Enquiries concerning membership should be addressed to the Secretary, Mr. F. Jones, 695 Salisbury House, London, E.C.2.

NOTTINGHAM



MR. A. B. INGER, A.C.A.

Mr. A. B. Inger is the newly-elected President of the Nottingham District Society of Chartered Accountants.

Qualifying in 1933, he spent a further two years in the practising side of the profession, after which he had experience in local government, in the civil service and in industry.

For the past thirteen years he has been the Secretary of Hicking Pentecost & Co. Ltd., the Midland firm of dyers and finishers, and its subsidiary companies.

He is the first President of the Nottingham District Society to be chosen from among the non-practising members.

SOUTH-EASTERN



MR. W. T. HUNTER, M.B.E., F.C.A.

Mr. W. T. Hunter was recently elected President of the South-Eastern Society. He was articled to the late Mr. W. Day, junior, of Messrs. W. Day, Junr., and Hunter, Maidstone, and was admitted as a member of the Institute in 1937. He became a partner in Messrs. Day, Smith & Hunter in 1948.

In June, 1940, Mr. Hunter joined the Royal Armoured Corps as a trooper. He was commissioned into the Royal Army Service Corps in 1941, and served with the Sixth Armoured Division in Africa and Italy, being awarded the M.B.E. (Military) in 1945. He was demobilised in 1946 with the rank of Major.

This year Mr. Hunter celebrates his twenty-fifth year as an official of the Maidstone Rugby Football Club.

MANCHESTER
Report

INTEGRATION HAS ADDED to the ranks of this Society 467 ex-members of the Incorporated Accountants' District Societies of Manchester and District and of North Lancashire. The total membership is 1,589. In addition, eight members of the Scottish Institute are affiliated to this Society.

The Committee records with regret the deaths of Sir Arthur Cutforth, C.B.E., the Society's only honorary member, and of eight other members.

The North Lancashire Branch has 404 members and the Bolton Branch 98. A preliminary meeting has been held for a Kendal District Sub-Branch of the North Lancashire Branch.

The Joint Tuition Committee arranges Saturday morning lectures and residential courses for students.

Certificates of Merit in the Final examination were gained by J. T. Jones and D. H. Way. Manchester Society prizes were awarded as follows: Roger N. Carter prize: J. T. Jones (May); divided between A. T.

Booth and D. F. Steel (November). Theodore Gregory prize: J. T. Jones. Tom Walton prize: J. T. Jones and D. H. Way. J. Montgomery Newman prizes: Final, J. T. Jones and D. H. Way; Intermediate, B. A. Henstock and J. Hilton; Preliminary, A. Smith and P. J. Gresty.

Mr. James Blakey has resigned from the Council of the Institute, on which he had served for twenty-one years. In grateful recognition of his thirty-seven years' continuous service, during which he has been President of the Institute and twice President of the District Society, the Committee has elected him an Honorary Member of the Society. He is succeeded on the Council by Mr. A. H. Walton.

Mr. E. G. Turner, a past President of the Society and a former member of the Council, has resigned from the Committee after sixteen years' active membership.

Students' Societies

LONDON

News from the Committee
Cambridge Weekend Course

One hundred and sixty-six members attended the spring Residential Course at Corpus Christi College, Cambridge. These courses constitute an important part of the Society's work in bringing articled clerks together in discussion and fellowship.

Students' Supper

Another supper was held on May 4, which fifty-five students enjoyed. It is hoped to arrange two such suppers in the autumn session.

Debates

The debating prizes for the spring session have been awarded to P. Duffell and J. A. Dickie.

Meet-the-Committee Meetings

Owing to lack of support, it has been decided to discontinue the buffet lunches on the first Monday in each month after the one already announced for July 6.

Sports

In the six-a-side Association football tournament the 1st VI beat London Hospital (9-6); Old Westminster II (walk-over); but were beaten (5-16) by Old Foresters II, the eventual runners-up. The 2nd VI beat the Old Chigwellians (8-5), but were then defeated by Guy's Hospital (13-22).

The Hockey XI beat the Nottingham students (3-0) and drew with the Solicitors' Articled Clerks' Society (2-2).

At Squash, we lost to Old Paulines (0-3) and Solicitors' Articled Clerks' Society (2-4), but beat Ashted (3-1).

Captaincies: Mr. J. R. Murray has been succeeded by Mr. A. Blandy as captain of squash.

Mr. A. C. A. Myers has been succeeded by Mr. E. F. Freer as captain of hockey.

Bridge

A duplicate match was held against a strong team from the "En Passant" Bridge Club. The Students' Society did well to be beaten by only 19 match points. It is hoped to play further duplicate matches of this kind. Any member who would like to play is asked to contact Mr. Leon Nahon at HAM 1094.

LONDON

Annual Report

THE COMMITTEE HAS continued its policy of decentralisation. A branch has been started in Reading, the Mid-Surrey Branch has been revived and the Bedfordshire Branch is considering becoming an independent society. An informal atmosphere has been stimulated by a students' supper and by monthly lunches for students and committee members. Members have organised holiday and theatre parties.

The whole-day courses, now held five times in the year, still draw very large numbers. The Debating Group has been revitalised as a Speakers' Course with professional instruction.

Total membership increased during the year from 5,407 to 7,719, including 1,767 former members of the Incorporated Accountants' Students' Society. The President of that Society, Mr. J. A. Jackson, F.C.A., is now a Vice-President of this Society, and five members nominated by the Incorporated Students' Society were added to the Committee.

The accounts show a surplus of £777, as against a deficit of £484 in 1957. Income has expanded by £4,020 due to the increased membership. The accumulated fund increased by £1,500 received from the liquidator of the Incorporated Accountants' Students' Society, against which was set £696 of special expenditure in connection with integration.

NOTTINGHAM

THE FOLLOWING OFFICERS have been elected for 1959/60: President, Mr. H. T. Scotthorne, F.C.A.; Vice-President, Mr. R. W. Cox, F.C.A.; Chairman, Mr. R. C. Smith, A.C.A.; Hon. Auditor, Mr. J. S. F. Hill, F.C.A.; Hon. Secretary, Mr. C. F. K. Granger; Hon. Treasurer, Mr. A. B. Brecknock; Hon. Assistant Secretary, Mr. C. R. Dugard; Hon. Librarian, Mr. W. G. Underwood.

PRESTON

Report

MEMBERSHIP HAS INCREASED from 95 to 161.

Tuition lectures have again been sponsored by the Manchester Society of Chartered Accountants.

Works visits and sporting and social events have been arranged.

Nine members were successful in the Institute Final examination, and nine in the Intermediate. In the Society Final, four passed both Parts, one Part I and one Part II, and three passed the Intermediate.

Chartered Accountants' Golfing Society

THE SIXTIETH ANNUAL MEETING was held at Le Strange Arms Hotel, Hunstanton, on May 9, during a week-end golf meeting at Hunstanton Golf Club, and was attended by forty-six members. The following officers were elected or re-elected for 1959/60: President, J. B. Pittman; Vice-Presidents, L. R. Elcombe, D. V. House and L. E. Parsons; Captain, H. W. Pitt; Vice-Captain, L. V. Mills; Hon. Secretary and Treasurer, D. V. House; Match Secretary, C. I. Steen; Hon. Auditor, J. S. Hyland.

Competitions were played under delightful conditions on Saturday and Sunday. The prizewinners were:

Stableford Medal: W. B. Henderson (5), $35+4\frac{1}{2}=39\frac{1}{2}$ (Captain's prize and scratch prize; Ernest Cooper Cup to be held for one year). J. H. Shaw (8), $32+7=39$ (second prize).

Saturday Foursomes: H. Lemmon and T. Spencer, 33 points (first prize); J. H. Shaw and G. G. Youngs, 32 points (second prize).

Sunday Foursomes: J. D. Green and D. V. House, 36.14/16ths points (first prize); D. G. Richards and P. Wand, 35.14/16ths points (second prize).

Singles Tournament 1959

The results of the first round are as follows: C. A. Chapman, w.o., D. G. Richards, scr.; R. Stephens, w.o., H. W. Claxton, scr.; F. C. H. Edwardson beat J. B. Selier at the 19th hole; D. J. Hedges beat A. J. Barsham by 4 and 3; S. Pleydell-Bouverie beat F. A. Cole by 2 and 1; J. Latham beat N. B. Raphael by 2 and 1; B. Ingold beat W. K. Wells by 4 and 3; H. J. Finden-Crofts, w.o., A. D. Inglis, scr.

Forthcoming Events

ASHFORD (KENT)

June 24.—Students' whole-day meeting. Four lectures on some aspects of taxation, and share transactions of limited companies. Saracen's Head Hotel, at 11 a.m.

BRISTOL

Members' Meetings

June 18.—Members' meeting. Assize Courts Hotel, Small Street, at 6.30 p.m.

July 16.—Members' meeting. Assize Courts Hotel, Small Street, at 6.30 p.m.

LEEDS

June 26.—Members' luncheon meeting. Great Northern Hotel, at 12.45 for 1 p.m.

LINCOLN

Members' Function

June 18.—Annual Golf Competition for the Cole Cup and the competition between the Grimsby and North Lincolnshire Branch and the Lincoln and South Lincolnshire Group for the Beardsall Cup. At Torksey.

LONDON

Members' Meetings

June 30.—Annual meeting of subscribers and donors to the Incorporated Accountants' Benevolent Fund. Incorporated Accountants' Hall, Victoria Embankment, W.C.2, at 2.30 p.m.

July 1.—Annual religious service of the Institute. St. Margaret's Church, Lothbury, E.C.2, at 1 p.m.

July 8.—Meeting of City Discussion Group. The Cock and Bottle, Laurence Pountney Hill, E.C.4, at 6 for 6.30 p.m.

OXFORD

July 9-14.—Summer Course of the Institute. Merton College.

YORK

July 8.—Members' luncheon meeting. De Gray Rooms, at 1 p.m.

Personal Notes

Mr. Edward Bostock, F.C.A., has been elected Mayor of the Borough of Twickenham, Middlesex, for the year 1959/60.

Mr. E. Ewart Pearce, M.B.E., J.P., F.C.A., Cardiff, has been re-elected to the Cardiff City Council. Mr. Pearce was the Chairman of the Finance Committee for three years, but was not re-elected as an Alderman in May, 1958. He is a Past President of the Incorporated Accountants District Society of South Wales and Monmouthshire, and a member of the Committee of the South Wales and Monmouthshire Society of Chartered Accountants.

Mr. Edward Baldry, O.B.E., F.C.A., has been appointed a director and chairman of the G. Q. Parachute Co. Ltd., Woking. Mr. Arthur C. Dickinson, A.C.A., is now the managing director.

Messrs. Dunn, Wylie & Co., Chartered Accountants, London, E.C.2, announce that their senior partner, Mr. Hugh W. Dunn, C.A., who has been in practice in London for over fifty years, proposes retiring from the partnership on June 30. The practice will be continued by the remaining partners under the same style.

Messrs. Smith, Willcox & Co., Chartered Accountants, Scarborough, have admitted into partnership Mr. R. M. Bastiman, A.C.A., and Mr. C. H. Hay, A.C.A., who have been associated with them for some years. The name of the firm is unchanged.

Messrs. Wallace, Cash & Co., Chartered Accountants, London, W.1, have admitted into partnership Mr. F. W. E. King, M.B.E., F.C.A., Mr. L. C. V. King, A.C.A., and Mr. P. F. M. King, A.C.A.

Mr. J. H. Nutchey, A.C.A., has retired from the office of secretary of M. Wiseman & Co. Ltd., London, N.1, which he has held for over forty years. He continues as a part-time executive in his capacity as director. Mr. J. H. Pinto, A.C.A., A.C.W.A., has been appointed secretary.

Mr. Bryan J. Clark, A.C.A., has been appointed Manager of Treasury Functions for Merck Sharp & Dohme S.A.—Indústria Química e Farmacêutica, the Brazilian subsidiary of Merck & Co. Inc., one of the leading American pharmaceutical and chemical companies. The address is Caixa Postal, 878, Distrito de Souzas, Campinas, Estado de São Paulo, Brazil.

Messrs. White & Pawley, Chartered Accountants, Plymouth, announce that Mr. D. L. Cullum, A.C.A., and Mr. D. J. Franks, A.C.A., A.C.I.S., who have been with them for a number of years, have been admitted as partners.

Mr. F. E. Herbert, A.C.A., secretary of Marcroft Wagons Ltd., Swansea, has been appointed to the Board of directors.

The London firms of Messrs. Thomson McLintock & Co., Messrs. Mann, Judd & Co. and Messrs. Brown Fleming & Murray announce that, whilst their separate practices will continue, they have formed a joint firm with the name of McLintock, Mann & Murray having offices at 33 King William Street, London, E.C.4. The partners in the joint firm are Mr. W. K. M. Slimmings, C.A., and Mr. J. T. H. Macnair (of Messrs. Thomson McLintock & Co.), Mr. F. Booth, C.A., and Mr. F. W. English, F.C.A. (of Messrs. Mann, Judd & Co.), and Mr. T. N. Ritchie, C.A., and Mr. G. M. Crole, C.A. (of Messrs. Brown, Fleming & Murray).

Mr. J. A. Plumpton, F.C.A., has retired as a partner in Messrs. J. A. Plumpton & Co., Chartered Accountants, London, N.22, but remains available as a consultant to the continuing partners.

Messrs. Newman, Biggs & Co., Chartered Accountants, Birmingham, have admitted into partnership Mr. D. J. Appleton, A.C.A., who served his articles with the firm and has been a member of the staff since qualifying in 1950. Mr. E. W. Newman, who founded the firm with the late Mr. R. L. Biggs forty years ago, will in future be available only for consultation by special arrangement.

Removals

Messrs. Wildash & Co. advise that their address is now 7 Liverpool Terrace, Worthing.

Obituary

Alfred James Glass

WE RECORD WITH regret the death on May 21 of Mr. Alfred J. Glass, F.C.A., senior partner in Messrs. Glass & Edwards, Chartered Accountants, Liverpool. Mr. Glass became a member of the Institute in 1910, after serving articles with his father, the late Mr. W. J. Glass, A.C.A., and was admitted to partnership in the firm in 1911.

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APPOINTMENTS REGISTER OF THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

Employers who have vacancies for members on their staffs and also members seeking new appointments are invited to make use of the facilities provided by the Institute's Appointments Register. No fees are payable. All enquiries should be addressed to the Appointments Officer, Moorgate Place, London, E.C.2. Tel. Monarch 8506.

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(Continued from page xlvii)

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